MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

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

ANNOUNCEMENT ON INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (Board) of MMG Limited (Company) is pleased to announce the consolidated results of the Company and its subsidiaries (Group) for the six months ended 30 June 2016.

The financial information set out in this announcement does not constitute the Group's financial statements for the six months ended 30 June 2016, but represents an extract from those financial statements.

The financial information has been reviewed by the Company's audit committee and the Company's auditor.

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

MMG RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

KEY POINTS

- Las Bambas commercial production achieved on schedule on 1 July 2016. Total project cost confirmed at US$9.7 billion, the lower end of budget guidance range, including acquisition and construction costs. Total project cost includes $60 million of plant improvements and logistics upgrades to continue into the second half 2016.
- 118,612 tonnes[1] of copper in copper concentrate produced at Las Bambas in the first half with a total of 250,000-300,000 tonnes of copper in copper concentrate expected in 2016.
- Finance confirmed and costs savings achieved for the Dugald River zinc project, predicted to be one of the world's top 10 zinc mines with first production expected in the first half 2018.
- Revenue down US$527.7 million (47%) on 2015 to US$586.1 million on lower zinc sales volumes as a result of the Century mine closure, lower copper production at Sepon and lower average realised prices for all commodities except gold.
- Copper sales volumes down 14% on lower production from Sepon, Golden Grove and Rosebery. Zinc and lead volumes were impacted by the end of mining and processing at Century.
- Operating expenses down US$254.3 million (38%) on lower production volumes (including end of production at Century) and a favourable Australian to US dollar exchange rate. Total production expenses across operating sites (excluding Century) were US$63.0 million lower from a continued focus on strategic cost reduction. US$15.6 million reduction in administration expenses also achieved.
- Positive cashflow from operating activities of US$57.7 million.
- Loss (after tax) for the six months ended 30 June of US$93.0 million.
- The Board has resolved not to pay a dividend for the period.

SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	586.1	1,113.8	(47%)
EBITDA	134.3	375.9	(64%)
EBIT	(67.0)	(5.0)	(1240%)
Loss after income tax	(93.0)	(48.0)	(94%)
EBITDA margin	23%	34%	
Net cash generated from operating activities	57.7	202.7	(72%)
Dividend per share	-	-	-
Basic and diluted loss per share	US cents (1.75)	US cents (0.87)	(101%)

[1] 2016 copper in copper concentrate produced at Las Bambas includes production from commissioning and start up activities in December 2015.

MMG RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 CONTINUED

The financial information relating to the year ended 31 December 2015 that is included in this announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

CHAIRMAN'S REVIEW

Dear Shareholders,

The challenging global economic conditions we experienced in 2015 continued into 2016 driving persistent commodity price volatility and low growth rates. However, bright spots in the macroeconomic outlook continue to appear and we welcome the healthy recovery in the zinc price and stabilisation in copper toward the end of the half year.

At MMG, we continue to take a long term view, using the down cycle to strategically invest and continue to grow our business. The successful commissioning of Las Bambas copper mine and commitment to the Dugald River zinc projects demonstrate our ability to deliver on our growth promise. We maintain our confidence in the long term fundamentals of our core commodities, copper and zinc, and with the support of our major shareholder, China Minmetals Corporation (CMC), we remain well positioned to maximise these opportunities.

The safety of our people remains our most important value. It is with great sadness that we report on the death of an employee of our logistics provider Transaltisa on 21 July 2016. On behalf of the Board and Management of MMG, I express our sincere condolences to the family and friends of Mr Felipe Chavez, who died following a road accident while driving an empty concentrate truck to our Las Bambas operations in Peru. We continue to focus the efforts of every person in our organisation, from our mine operations to the Board, to ensure we improve our safety performance and prevent such tragic events.

A key strategic milestone this half year has been the Las Bambas copper operation in Peru achieving commercial production on 1 July 2016. This confirmed the ramp up of the plant had been achieved on schedule, and commercial production reached in line with guidance to the market.

As one of the biggest copper mines in the world, Las Bambas is transformational for MMG. The successful ramp up demonstrates the strength of our internal project management capability as well our ability to deliver on our commitments.

The operation produced nearly 120,000[2] tonnes of copper in copper concentrate in the first half, and is on track to meet guidance for the year of 250,000-300,000 tonnes.

While we maintained our focus on delivering the maximum value from our operations, our first half financial results were impacted by lower realised prices for copper and zinc. A decrease in sales volumes in the first half, compared to prior periods, with the end of mining and processing at Century and lower production at Sepon impacted results. As a result, revenue for the first half was down 47% to US$586.1 million.

Earnings before interest, tax and depreciation and amortisation (EBITDA) were down 64% to US$134.3 million and the Company reported a loss of US$93.0 million after tax.

We maintained our focus on achieving cost reductions throughout the organisation with initiatives to reduce or defer spending where possible. Looking ahead, we will continue to work on strengthening our balance sheet.

[2] Includes copper in copper concentrate produced at Las Bambas from commissioning and start up activities in December 2015.

CHAIRMAN'S REVIEW CONTINUED

The valuable strategic insight and support of our major Shareholder enables us to maintain a prudent yet opportunistic approach to investment at a time when many of our peers are seeking to reduce and consolidate asset portfolios. MMG's focus is now on balancing the short-term constraints created by lower-realised commodity prices and soft market conditions, with our long-term vision of becoming a top mid-tier base metals miner by 2020.

I am pleased to report in detail on another major strategic milestone this half year. In June we announced the funding for the development and construction of the Dugald River zinc, lead and silver mine, located in North-West Queensland. The announcement follows the conditional approval of the updated development plan in July 2015 which will support a 1.7Mtpa nameplate plant with annual production of approximately 170,000 tonnes of zinc in zinc concentrate, plus by-products.

With the widely anticipated zinc deficit expected to impact the global market in 2017, Dugald River will start production in a period of tight supply when it ships its expected first concentrate in 2018. Our decision to support the development of this project will not only benefit our Shareholders, it will deliver positive outcomes for Queensland communities by providing employment opportunities and economic benefits at both the state and regional levels for over 25 years.

While we expect that prices for our key commodities – copper and zinc – will remain under pressure in the near term, we are confident in their long term fundamentals across supply and demand metrics.

MMG is focused on successfully managing the factors we can control – making our operations efficient and resilient to commodity price movements, prudent cost control, ensuring the safety of our people and being a valued partner in our communities.

I would like to thank all Board members, management, our employees and shareholders for their ongoing commitment and support.

JIAO Jian
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders

Ensuring our people go home safely at the end of each day to their families is our most fundamental commitment. We place safety at the centre of everything we do and we believe nothing is so important that it cannot be done safely. That is why the death of an employee of our logistics provider impacts us so deeply. I extend my own sincere condolences, along with our Chairman, to the family and friends of Mr Felipe Chavez, who died following a road accident while driving an empty concentrate truck to our Las Bambas operations in Peru on 21 July.

In the first half of the year, our operations recorded a Total Recordable Injury Frequency (TRIF) of 1.68 for the first half of 2016 which, is the lowest half-yearly TRIF ever recorded. In addition, the Las Bambas construction project recorded a TRIF of 7.59 for the first half 2016. While this result demonstrates we are moving in the right direction, we must continue to focus on the high energy, high potential incidents and remain committed to eliminating injuries.

The first half of 2016 has been pivotal for MMG and we have emerged a very different company.

We completed mining and processing at Century and announced the start of commercial production at our Las Bambas copper operation in Peru. We managed the challenge of falling grades and harder ores at our Sepon copper mine while committing to the development of a top 10 global zinc project at Dugald River. We shifted our production profile significantly toward copper while focussing on operational improvements across our sites.

The achievement of commercial production at Las Bambas from 1 July 2016 is a significant milestone and tribute to the more than 19,000 employees who have worked on the project. To complete construction of one of the largest projects of its type both on schedule and within budget, demonstrates the skill, strength and resilience of our team. Las Bambas delivered 118,612[3] tonnes of copper in copper concentrate during ramp up in the first half of the year, and will generate around 400,000 tonnes of copper in copper concentrate per year from 2017.

I am very proud of our progress at Las Bambas. It delivers on our commitment to drive further value for our Shareholders and to share the benefits of our success with our local stakeholders. It is through the successful delivery of Las Bambas that we will earn our right to grow.

However, sustained downward pressure on commodity prices, the timing impact of the closure of Century, and the continued transition to lower grade and more complex ores at Sepon adversely impacted our first half financial results.

We remain steadfast in our objective to extract more value from our assets and to seek further productivity and efficiency gains in order to insulate our operations from commodity price movements. In the first half of 2016 we have placed an even greater focus on the tight management of the drivers within our control including the safety of our people, production, productivity and cost management. While we saw a positive impact from exchange rate movements on operating costs, we also achieved a reduction in administration expenses of $15.6 million.

[3] Includes copper in copper concentrate produced at Las Bambas from commissioning and start up activities in December 2015.

Production at the Kinsevere copper cathode operation in the Democratic Republic of Congo (DRC) was up 2% with improved grid power utilisation, while Golden Grove and Rosebery in Australia continue to deliver to our copper and zinc production profile. At Sepon, in the Lao People's Democratic Republic, 35,919 tonnes of copper cathode were produced, down 20% on the first half 2015 as the operation moved into the second year of its transition to lower grade and more complex ores.

As a key source of value creation, exploration remains an area of close focus. During the first half of 2016 we have pursued organic growth opportunities designed to sustain and grow existing operations. Exploration programs at Kinsevere and Sepon have focused on extending the mine life of both assets, and we have now also established an active exploration program at Las Bambas, presenting significant upside potential with only an estimated 10% of the mining lease having been explored to date.

MMG maintained full year guidance of 415,000-477,000 tonnes of copper and 120,000-135,000 tonnes of zinc.

Despite these operational and macroeconomic challenges, we emerge from this period poised to capitalise on our down-cycle investments. Las Bambas has entered commercial production as copper prices have begun to stabilise.

And we continue to invest. In June we affirmed our commitment to proceed with the funding and development of the Dugald River zinc, lead and silver mine in North-West Queensland. Following the closure of major zinc mines globally, including our own Century mine, we anticipate Dugald River will achieve first production in 2018 in a market of shrinking global supply.

Century moved into care and maintenance and rehabilitation activities continued on site. We were pleased to announce a labour hire contract with Waayni ReGen, a 50:50 joint venture between the Waayni Prescribed Body Corporate and ReGen, a Downer Mining enterprise for care and maintenance activities at Century. The Waanyi People are the traditional owners and native title holders of the lands on which the Lawn Hill mine and processing are located.

As a Company we are very fortunate to have the ongoing support of our major Shareholder, China Minmetals Corporation (CMC), which provides us with an ability to take a long term approach to investment and achieve our vision of building the world's most respected diversified base metals company.

On behalf of the MMG management team, I thank our employees, contractors and host communities for their ongoing support.

Andrew MICHELMORE
CHIEF EXECUTIVE OFFICER

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

For the purpose of the management discussion and analysis, the Group's results for the six months ended 30 June 2016 are compared with results for the six months ended 30 June 2015.

SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**586.1**	**1,113.8**	**(47%)**
Operating expenses	(408.7)	(663.0)	38%
Exploration expenses	(18.8)	(17.9)	(5%)
Administration expenses	(27.2)	(42.8)	36%
Other income/(expenses)	2.9	(14.2)	120%
EBITDA	**134.3**	**375.9**	**(64%)**
Depreciation and amortisation expenses	(201.3)	(380.9)	47%
EBIT	**(67.0)**	**(5.0)**	**(1,240%)**
Net finance costs	(47.1)	(41.8)	(13%)
Loss before income tax	**(114.1)**	**(46.8)**	**(144%)**
Income tax credit/(expense)	21.1	(1.2)	1,858%
Loss after income tax	**(93.0)**	**(48.0)**	**(94%)**

The Group's operations comprise Sepon, Kinsevere, Australian Operations (including Rosebery and Golden Grove mines) and Las Bambas. Century is no longer an operation following the end of processing operations at the start of first half year of 2016. Exploration, development projects (excluding Las Bambas) and corporate activities are classified as 'Other'.

SIX MONTHS ENDED 30 JUNE	REVENUE			EBITDA		
	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Sepon	176.3	269.3	(35%)	61.2	154.9	(60%)
Kinsevere	192.3	222.7	(14%)	67.9	80.9	(16%)
Las Bambas	-	-	-	16.9	(13.5)	225%
Australian operations	193.7	231.7	(16%)	59.1	56.4	5%
Century	23.8	390.1	(94%)	(19.9)	167.6	(112%)
Other	-	-	-	(50.9)	(70.4)	28%
Total	**586.1**	**1,113.8**	**(47%)**	**134.3**	**375.9**	**(64%)**

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

Revenue

The Group's operations revenue decreased by US$527.7 million to US$586.1 million due to the Century mine closure, unfavourable sales volume for all MMG commodities (US$420.5 million), and lower realised prices for copper (US$88.1 million), zinc (US$17.7 million), lead (US$2.8 million) and silver (US$2.5 million). These were partly offset by favourable realised prices for gold (US$3.9 million).

REVENUE BY COMMODITY SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Copper (US$ million)	360.0	558.3	(36%)
Zinc (US$ million)	108.3	398.0	(73%)
Lead (US$ million)	17.6	77.1	(77%)
Gold (US$ million)	54.8	34.2	60%
Silver (US$ million)	45.4	46.2	(2%)
Total	**586.1**	**1,113.8**	**(47%)**

Price

With the exception of gold, lower average LME base metals prices in 2016 compared with 2015 had an unfavourable impact on revenue. The zinc average realised price was favourably impacted by the decline in zinc concentrate treatment charges and refinement charges (TC/RC) during the first half 2016, while higher TC/RC for copper unfavourably impacted the average realised price for the same period.

AVERAGE LME CASH PRICE SIX MONTHS ENDED 30 JUNE	2016	2015	CHANGE % FAV/(UNFAV)
Copper (US$/tonne)	4,701	5,929	(21%)
Zinc (US$/tonne)	1,799	2,134	(16%)
Lead (US$/tonne)	1,731	1,873	(8%)
Gold (US$/ounce)	1,221	1,206	1%
Silver (US$/ounce)	15.82	16.55	(4%)

Sales volumes

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE	2016	2015	CHANGE % FAV/(UNFAV)
Copper (tonnes)	85,078	98,413	(14%)
Zinc (tonnes)	79,669	257,052	(69%)
Lead (tonnes)	14,968	51,693	(71%)
Gold (ounces)	25,283	31,150	(19%)
Silver (ounces)	1,849,335	2,797,875	(34%)

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

PAYABLE METAL IN PRODUCT SOLD SIX MONTHS ENDED 30 JUNE 2015	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES
Sepon	44,684	-	-	-	-
Kinsevere	39,046	-	-	-	-
Australian operations	14,683	56,600	11,424	31,150	1,563,440
Century	-	200,452	40,269	-	1,234,435
Total	**98,413**	**257,052**	**51,693**	**31,150**	**2,797,875**

Copper sales volumes decreased by 14% compared with the six months ended 30 June 2015 due to lower production at Sepon (18%) and Australian operations (44%).

Zinc and Lead sales volumes were 69% and 71% lower respectively for the half year 2016 due to Century mine closure.

Operating expenses include expenses of operating sites, excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses and other operating expenses. Operating expenses have decreased by US$254.3 million (38%) driven by lower production volumes for all MMG metals and a favourable Australian dollar exchange rate (AUD:USD average rate of 0.7337 in 2016 versus 0.7820 in 2015). Total production expenses across operating sites (excluding Century) were US$63.0 million lower from a continued focus on strategic cost reduction. Lower freight and royalties costs also contributed to favourable operating expenses.

Exploration expenses increased by US$0.9 million (5%) compared to first half 2015. Exploration focused on mine district exploration in 2016 at Las Bambas, Kinsevere and Sepon.

New discovery spend was down US$1.5 million (17%) across all exploration sites, specifically Africa decreased by US$2.9 million (56%), which was partly offset by increase in Australia of US$1.2 million (70%).

The Group invested US$10.6 million in mine district exploration, an increase of US$2.3 million compared to the first half of 2015. Exploration in 2016 focused on sustaining current ore reserves and increasing the mine life of existing assets with particular focus on Sepon and Kinsevere, and establishing the exploration program at Las Bambas.

Administrative expenses decreased by US$15.6 million (36%) to US$27.2 million in first half 2016 as a result of a Group wide focus on controlling costs. The weaker Australian dollar also aided the lower administrative expenses.

Other income and expenses had an aggregate favourable US$2.9 million impact on EBIT in first half 2016 compared to an unfavourable impact of US$14.2 million in first half 2015.

The favourable impact in 2016 was mainly driven by foreign exchange gains on the translation of Peruvian value-added tax (VAT) receivables. The VAT is denominated in Peruvian sol (PEN) which was appreciated against the US dollar by 4% during first half 2016. Other items included gains on disposal of property, plant and equipment, offsetting by losses on financial assets recognised at fair value through profit or loss, foreign exchange losses on the translation of monetary items and sundry expense items.

Depreciation and amortisation expenses decreased by US$179.6 million (47%) to US$201.3 million in first half 2016. The decrease was primarily driven by the Century mine moving into care and maintenance. Lower depreciation and amortisation expenses were also driven by an increased reserve base at Rosebery.

Net finance costs increased by US$5.3 million to US$47.1 million in first half 2016. The higher cost was primary driven by an increase of US$6.0 million in interest expense on bank borrowings.

Income tax expense decreased by US$22.3 million to US$21.1 million tax benefit in first half 2016 reflecting the decrease in profit before income tax for the Group. The effective tax rate for the period ended 30 June 2016 was 18.5% (2015: negative 2.6%), which included the unfavourable impacts of non-creditable Peruvian withholding tax arising on the Shareholder loan to fund the Las Bambas Project of US$12.0 million (2015: US$10.4 million).

MINES ANALYSIS

Sepon

SIX MONTHS ENDED 30 JUNE	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,389,561	993,226	40%
Ore milled (tonnes)	1,158,918	977,953	19%
Copper cathode (tonnes)	35,919	44,632	(20%)
Payable metal in product sold			
Copper (tonnes)	36,854	44,684	(18%)

SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE% FAV/(UNFAV)
Revenue	**176.3**	**269.3**	**(35%)**
Operating expenses			
Production expenses			
Mining	(28.1)	(14.7)	(91%)
Processing	(55.9)	(64.9)	14%
Other	(25.1)	(29.9)	16%
Total production expenses	**(109.1)**	**(109.5)**	**0.4%**
Freight (transportation)	(2.1)	(3.1)	32%
Royalties	(7.7)	(12.0)	36%
Other [(i)]	4.7	10.5	(55%)
Total operating expenses	**(114.2)**	**(114.1)**	**-**
Other expenses	(0.9)	(0.3)	(200%)
EBITDA	**61.2**	**154.9**	**(60%)**
Depreciation and amortisation expenses	(59.5)	(60.6)	2%
EBIT	**1.7**	**94.3**	**(98%)**
EBITDA margin	**35%**	**58%**	

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

Sepon produced 35,919 tonnes of copper cathode in the first half of 2016, down 20% on the corresponding period. Production was impacted by the total concentrator plant planned outage and the continued transition to lower grade and more complex ores, with ore milled grades of 3.6% compared to 5.2% in the first half 2015.

The combined impact of lower production and a lower average realised copper price resulted in revenue decreasing by US$93.0 million (35%).

A focus on operational efficiencies and cost controls resulted in total operating costs remaining broadly flat in the first half 2016 despite total ore mined increasing by 40% due to the lower grade. EBITDA margins were significantly lower at 35%, compared to 58% in the same period in 2015.

Depreciation and amortisation expenses decreased by US$1.1 million (2%) due to changes in the reserve base.

Kinsevere

SIX MONTHS ENDED 30 JUNE	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,092,185	857,582	27%
Ore milled (tonnes)	1,165,751	1,040,993	12%
Copper cathode (tonnes)	39,974	39,095	2%
Payable metal in product sold			
Copper (tonnes)	40,013	39,046	2%

SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**192.3**	**222.7**	**(14%)**
Operating expenses			
Production expenses			
Mining	(10.9)	(11.1)	2%
Processing	(38.7)	(37.8)	(2%)
Other	(38.5)	(54.3)	29%
Total production expenses	**(88.1)**	**(103.2)**	**15%**
Freight (transportation)	(19.8)	(22.8)	13%
Royalties	(8.4)	(10.0)	16%
Other (i)	(7.0)	(7.9)	11%
Total operating expenses	**(123.3)**	**(143.9)**	**14%**
Other (expense)/income	(1.1)	2.1	(152%)
EBITDA	**67.9**	**80.9**	**(16%)**
Depreciation and amortisation expenses	(91.1)	(86.3)	(6%)
EBIT	**(23.2)**	**(5.4)**	**(330%)**
EBITDA margin	**35%**	**36%**	

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

Kinsevere production was up 2% on the prior period to 39,974 tonnes of copper cathode with sustained improvements in operational efficiencies, stable electricity and increases to mill throughput.

Revenue decreased by US$30.4 million (14%) compared to the first half of 2015 as a result of lower average realised copper prices, partly offset by an increase in copper sales volumes.

Operating costs decreased by US$20.6 million (14%) driven by a significant reduction in employee and contractor costs resulting from the implementation of the MMG operating model and roll out of Shared Business Services. Energy costs were also lower with a better mix of energy generated from grid. Only 10% of power requirements were met from electricity sourced via diesel generation during the first half of 2016, down from 29% during the same period in 2015.

EBITDA margins declined slightly to 35% from 36% in the first half of 2015, with cost controls offsetting the impact of lower revenue from weaker copper prices.

Depreciation and amortisation expenses increased by US$4.8 million (6%), corresponding to the increase in processing volumes.

Australian operations

SIX MONTHS ENDED 30 JUNE	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	906,653	1,190,594	(24%)
Ore milled (tonnes)	945,526	1,314,846	(28%)
Copper in copper concentrate (tonnes)	7,231	14,537	(50%)
Zinc in zinc concentrate (tonnes)	58,137	65,095	(11%)
Lead in lead concentrate (tonnes)	14,441	13,517	7%
Gold (ounces)	5,462	7,337	(26%)
Silver (ounces)	3,220	3,930	(18%)
Payable metal in product sold			
Copper (tonnes)	8,211	14,683	(44%)
Zinc (tonnes)	57,981	56,600	2%
Lead (tonnes)	13,355	11,424	17%
Gold (ounces)	25,283	31,150	(19%)
Silver (ounces)	1,822,738	1,563,440	17%

SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**193.7**	**231.7**	**(16%)**
Operating expenses			
Production expenses			
Mining	(49.4)	(68.7)	28%
Processing	(33.8)	(33.6)	(1%)
Other	(8.0)	(36.4)	78%
Total production expenses	**(91.2)**	**(138.7)**	**34%**
Freight (transportation)	(6.0)	(6.8)	12%
Royalties	(7.4)	(10.1)	27%
Other (i)	(29.5)	(24.6)	(20%)
Total operating expenses	**(134.1)**	**(180.2)**	**26%**
Other (expenses)/income	(0.5)	4.9	(110%)
EBITDA	**59.1**	**56.4**	**5%**
Depreciation and amortisation expenses	(48.9)	(49.1)	0.4%
EBIT	**10.2**	**7.3**	**40%**
EBITDA margin	**31%**	**24%**	

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

Production of copper in copper concentrate at the Australian operations of 7,231 tonnes was 50% below the first half of 2015. This was primarily due to reduced throughput at Golden Grove in line with our strategy to preserve the value of the resource while exploration continues for high grade ore at depth. This strategy was implemented in January 2016 and has reduced throughput from 1.6Mtpa to 1Mtpa with campaign milling introduced to reduce costs, Production of zinc in zinc concentrate was 58,137 tonnes, 11% below the first half of 2015, due to lower head feed grades at Rosebery.

Revenue at our Australian operations declined US$38.0 million (16%) due to lower realised sales prices across all core commodities and lower copper sales volumes in line with the reduced production at Golden Grove.

Total production expenses were $47.5m (34%) below the first half of 2015 as a result of the reduced throughput strategy at Golden Grove, the lower Australian dollar and restructuring of the Australian operations team which drove lower employee and contractor costs.

Australian operations delivered improved profitability with an EBITDA contribution of US$59.1 million, 5% above the first half of 2015.

Ore mined and milled decreased by 24% and 28% respectively compared to the first half of 2015.

A number of external parties have made informal approaches about acquiring our Golden Grove operations. MMG is in the process of appointing a financial advisor to commence a formal expression of interest process.

MMG maintains a positive outlook for zinc and is actively increasing exposure to this important commodity. The development of the Dugald River project, scheduled to commence production in 2018, will significantly enhance MMG's exposure to zinc markets.

With this major development coming on line, it is an opportune time to consider the role of the Golden Grove asset in the overall portfolio and determine if it may be of more value in the hands of another owner.

Century

SIX MONTHS ENDED 30 JUNE	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	-	3,888,565	(100%)
Ore milled (tonnes)	118,951	3,828,052	(97%)
Zinc in zinc concentrate (tonnes)	16,457	221,049	(93%)
Lead in lead concentrate (tonnes)	1,181	37,300	(97%)
Payable metal in product sold			
Zinc (tonnes)	21,688	200,452	(89%)
Lead (tonnes)	1,613	40,269	(96%)
Silver (ounces)	26,597	1,234,435	(98%)

SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**23.8**	**390.1**	**(94%)**
Operating expenses			
Production expenses			
Mining	-	(27.3)	100%
Processing	(17.8)	(110.9)	84%
Other	-	(32.8)	100%
Total production expenses	**(17.8)**	**(171.0)**	**90%**
Freight (transportation)	(1.7)	(17.6)	90%
Royalties	-	(18.3)	100%
Other (i)	(17.7)	(17.9)	1%
Total operating expenses	**(37.2)**	**(224.8)**	**83%**
Other (expense)/income	(6.5)	2.3	(383%)
EBITDA	**(19.9)**	**167.6**	**(112%)**
Depreciation and amortisation expenses	-	(179.6)	100%
EBIT	**(19.9)**	**(12.0)**	**(66%)**
EBITDA margin	**n/a**	**43%**	

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

Final ore was mined at Century in August 2015, with the operations having transitioned to care and maintenance. The US$23.8 million in revenue relates to ore from the Dugald River trial stoping program. The ore was processed at the Century mill and processing and sales were completed during the first quarter of 2016.

CASH FLOW ANALYSIS

Net cash flow

SIX MONTHS ENDED 30 JUNE	2016	2015
Net operating cash flows	57.7	202.7
Net investing cash flows	(378.6)	(965.6)
Net financing cash flows	(61.5)	1,125.0
Net cash (outflows)/inflows	(382.4)	362.1

Net operating cash inflows were US$57.7 million in the first half 2016 compared to US$202.70 million in the first half 2015.

The decrease is predominately attributed to US$475.5 million of decline in receipts from customers as a result of decline in revenue which is partly offset by US$304.2 million of decrease in payments to suppliers and employees.

Net investing cash outflows were US$378.6 million in the first half 2016 compared to US$965.6 million in first half 2015.

During the six months ended 30 June 2016, the Group invested US$379.4 million (2015: US$953.6 million) in the purchase of property plant and equipment and the development of software. This included US$218.6

million (2015: US$829.2 million) on the construction of Las Bambas, US$78.8 million (2015: US$27.0 million) on the Dugald River project and US$37.6 million (2015: US$34.3 million) investment in mine property and development.

Net financing cash flows were an outflow of US$61.5 million in the first half 2016 compared to an inflow of US$1,125.0 million in 2015.

Financing cash outflows in the first half 2016 included repayments of borrowings of US$226.9 million as well as payments of interest and financing costs of US$197.1 million in line with contractual terms. Also dividends of US$3.5 million were paid to Sepon minority shareholder Government of Laos.

These were partially offset by drawdowns of US$263.4 million under the US$5,988.0 million Las Bambas Project Facility with China Development Bank Corporation (CDB), Industrial and Commercial Bank of China Limited (ICBC), Bank of China Limited (Sydney Branch) (BOC Sydney) and The Export-Import Bank of China (EXIM) and US$100.0 million under the US$350.0 million working capital facility with BOC Sydney.

Financing cash inflows in the first half 2015 included the drawdown of US$300.0 million under the US$5,988.0 million Las Bambas Project Facility with CDB, ICBC, BOC Sydney and EXIM and US$189.0 million under the US$300.0 million facility with ICBC. Inflows also included capital contribution from non-controlling shareholders of Las Bambas of US$250.5 million and US$417.5 million drawn under the US$2,262.0 million facility with MMG Shareholder Top Create Resources Limited (Top Create), and the proceeds from the repayment of a Shareholder loan with Album Enterprises Limited (Album Enterprises) of US$80.0 million. These were partially offset by repayments of borrowings and payments of interest and financing costs in line with contractual terms. Dividends of US$5.0 million were paid to Sepon minority shareholder Government of Laos.

FINANCIAL RESOURCES AND LIQUIDITY

FOR THE SIX MONTHS ENDED 30 JUNE	2016 US$ MILLION	2015 US$ MILLION	CHANGE US$ MILLION
Total assets	14,589.6	14,660.0	(70.4)
Total liabilities	(12,507.6)	(12,484.8)	(22.8)
Total equity	**2,082.0**	**2,175.2**	**(93.2)**

Total equity decreased by US$93.2 million to US$2,082.0 million as at 30 June 2016, mainly reflecting the US$93.0 million operating loss for the period.

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

The Group manages the capital structure and makes adjustments in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to Shareholders, issue new shares or raise/repay debts.

The Group monitors capital and manages its cash flow in accordance with financial covenants contained in group debt facilities. Debt facilities of the MMG Group, other than those of the MMG South America Group, are not secured against the assets of the MMG South America Group. As a result, the terms of non-MMG South America Group debt facilities exclude items related to that group from the gearing ratio calculation (which is defined as net debt (total borrowings excluding finance charge prepayments, less cash and equivalents) divided by the aggregate of net debt plus total equity).

Consistent with the above, a key item excluded from the MMG Group (excluding MMG South America Group) gearing ratio calculation is US$2,261.3 million (31 December 2015: US$2,261.3 million) of Shareholder debt held by MMG SA. This debt was utilised to fund the MMG Group's equity contribution to the Las Bambas joint venture company, MMG SAM. This debt has been on-loaned within the MMG South America Management Group on a subordinated basis and hence, where relevant (and in accordance with the terms of MMG South America Management Group debt facilities), retains its quasi-equity status for the purposes of calculating the gearing ratio for individual entities within that group.

MMG GROUP (EXCLUDING MMG SOUTH AMERICA GROUP)	30 JUNE 2016 US$ MILLION	31 DECEMBER 2015 US$ MILLION
Total borrowings (excluding prepayments)	1,179.7	1,405.2
Less: cash and cash equivalents	78.6	431.2
Net debt	**1,101.1**	**974.0**
Total equity	855.9	950.9
Net debt + Total equity	**1,957.0**	**1,924.9**
Gearing ratio	**0.56**	**0.51**

The Group's objectives in managing the capital employed by MMG South America Management Group (the Las Bambas joint venture company and its subsidiaries) are to safeguard the MMG South America Management Group's ability to continue as a going concern, support the development of projects, enhance Shareholder value and provide capital for further investment.

The process used to manage and monitor the capital for the MMG South America Management Group is consistent with the process applied for the MMG Group.

MMG SOUTH AMERICA MANAGEMENT GROUP	30 JUNE 2016 US$ MILLION	31 DECEMBER 2015 US$ MILLION
Total borrowings (excluding prepayments)	7,054.7	6,691.4
Less: cash and cash equivalents	137.3	167.1
Net debt	**6,917.4**	**6,524.3**
Total equity	3,487.4	3,485.5
Net debt + Total equity	**10,404.8**	**10,009.8**
Gearing ratio	**0.66**	**0.65**

Available debt facilities

As at 30 June 2016, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US$400.0 million (31 December 2015: US$850.0 million), including:

- US$300.0 million available under the amended US$550.0 million exclusive Dugald River facility, which can only be used for the purpose of funding the Dugald River project; and
- US$100.0 million available under the existing US$300.0 million ICBC term and revolving facility.

In addition, as at 30 June 2016, US$0.7 million of the facility provided by Top Create Resources Limited, a Shareholder of the Company, remained undrawn (2015: US$0.7 million).

As at 30 June 2016, the MMG South America Management Group had available undrawn bank debt facilities of US$252.3 million (31 December 2015: US$265.7 million), which is exclusively for the MMG South America Management Group, including:

- US$250.0 million available under the existing US$350.0 million BOC Sydney Working Capital Revolving Facility; and
- US$2.3 million available under the existing Las Bambas Project Facility with syndicate lenders led by CDB.

DEVELOPMENT PROJECTS

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

Las Bambas, Peru

Las Bambas is a large, long-life copper operation located in the Apurimac region of Peru. The Company essentially completed construction of the project in early 2016 and commenced commissioning activities. The operation achieved commercial production on 1 July 2016.

Las Bambas produced 118,612 tonnes[4] of copper in copper concentrate as the plant completed ramp up. Concentrate transport continues by way of the bimodal logistics system (truck and rail) to the Matarani Port.

Consistent with the Company's most important value of safety, all concentrate trucking was suspended at Las Bambas following the tragic fatality of 21 July 2016. Meetings were held with all trucking contractors to investigate the incident and determine additional measures required to improve the safety of concentrate transport.

Bulk Concentrate trucking direct to Matarani Port recommenced late July and is being progressively increased to full capacity. The key rail/road containerised contractor, Transaltisa is expected to recommence operations by mid-August.

The extent of the concentrate transport disruption has been compounded as concentrate production volumes throughout the operations ramp up phase have been more than anticipated resulting in greater transport requirements.

Temporary storage facilities have been increased on site and additional trucks have been added to the fleet as part of a recovery plan. However, it is anticipated that end of year inventory of copper concentrate at Las Bambas will be around 100,000 tonnes or approximately 30,000-40,000 tonnes of copper in copper concentrate. It is anticipated that this inventory will be sold down during first quarter 2017.

MMG has given guidance that it will produce 250,000-300,000 tonnes of copper in copper concentrate at Las Bambas in 2016. C1 costs are expected to be within the range of US$1.00-1.10/lb for the second half 2016. Full guidance will be provided in the December 2016 Quarterly Production Report and it is expected that Las Bambas will be positioned within the first quartile of the cost curve.

Construction is complete with the exception of some remaining plant improvements and logistics upgrades.

Las Bambas commercial production achieved on schedule on 1 July 2016. Total project cost confirmed as US$9.7 billion, at the lower end of budget guidance range of US$9.7 - $10.2 billion, including acquisition and construction costs. Total project cost includes $60 million of plant improvements and logistics upgrades to continue into the second half 2016.

[4] Production volumes include tonnes produced as part of pre-commissioning and commissioning activities.

Dugald River, Australia

On 27 June MMG announced it had entered into an amended facility agreement of up to US$550 million in relation to the financing of the development and construction of the Dugald River zinc, lead and silver mine. The expected remaining cost of the project to first shipment of concentrate has been reduced by up to US$150 million – from US$750 million to US$600-620 million[5] plus interest costs. This is the result of an improved development plan and savings secured through strategic sourcing in the mining construction downturn.

Since receiving conditional approval of the updated development plan in July 2015, MMG has further improved project value by:

- reducing the expected project capital cost and ongoing mining unit cost;
- enabling increased production and improved mill utilisation;
- targeting ore with higher geological confidence and lower risk; and
- increasing productivity through better mine and operations planning.

As a result, the optimised mine plan will support a 1.7 Mtpa operation with annual production of around 170,000 tonnes of zinc in zinc concentrate, plus by-products. This confirms Dugald River's position within the world's top ten zinc mines when operational. The mine is expected to operate over an estimated 25 years while the ore body remains open at depth. At this stage MMG expects to achieve C1 costs of US $0.68-0.78/lb when at a steady state of operation.

Early works have progressed successfully on site with pre-production mine development from two declines carried out throughout 2015 and 2016. Long lead time items have been ordered and key contracts for construction activities finalised. Construction of the processing plant has commenced. MMG maintains its previous guidance for first concentrate production in the first half 2018.

CONTRACTS AND COMMITMENTS

Material contracts entered into in the six months to 30 June 2016 include:

Sepon
New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including drilling services, infrastructure remediation goods and services, sulphuric acid, reagents, explosives, and plant maintenance related parts.

Kinsevere
New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including engineering services, infrastructure development, civil works, security and sulphuric acid.

Australian Operations
New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including logistics related services, electrical consumables, maintenance related goods and services and equipment purchases.

[5] US$600-620 million cost to complete from Board approval of the updated development plan in July 2015 to first shipment of concentrate in 2018.

Century
Following closure, contracting activity for Century has diminished significantly. Revised agreements were finalised in the reporting period as well as minor agreements for ongoing maintenance and rehabilitation activities.

Dugald River
As the project progressed into the construction phase, a significant number of contracts have been put in place covering both surface infrastructure and ongoing mine development. The most significant contracts included underground mining services, earthworks and civil construction, structural mechanical piping electrical & instrumentation, utilities infrastructure, capital goods and village expansion.

Las Bambas
As the project progressed toward achieving commercial production on 1 July, a significant number of contracts were put in place across all areas. The most significant contracts included power supply, mobile equipment and associated maintenance components, maintenance services, earthworks and civil construction, labour hire services (shutdown), personnel logistics services, security services, processing reagents and grinding media, drilling services and concentrate shipping. Other capital related agreements were put in place for heavy haul road and water infrastructure projects.

Group
New contracts in corporate group areas were also completed for external audit services, airlines and insurance renewals.

PEOPLE

As at 30 June 2016, the Group employed a total of 5,603 full-time equivalent employees (31 December 2015: 5,925) in its operations (excluding contractors, casual employees, apprentices and trainees) with the majority of employees based in Australia, Laos, South America and the DRC.

Total employee benefits expenses for the Group's operations for the six months ended 30 June 2016, including directors' emoluments, totalled US$127.9 million a decrease of 36.4% (2015: US$201.2 million).

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

EXPLORATION ACTIVITIES

Mine district exploration activities mainly occurred at Sepon, Las Bambas and Kinsevere 50 kilometre radius, while new discovery programs were active in Zambia, Australia and Brazil. Exploration expenditure for the first half of 2016 is US$18.8 million, comparable to that of 2015.

Further drilling at the newly discovered NW Mashi and Sokoroshe 2 prospects within Kinsevere Rad50 continue to deliver encouraging results. At NW Mashi, approximately one kilometre from the Kinsevere Mashi Pit, three holes with significant intersections have now defined cross-sectional dimensions of sulphide mineralisation of at least 200m wide and up to 80m thick, with copper grade comparable or better than the sulphide resource at Kinsevere Mine. At Sokoroshe 2, diamond and RC drilling continue to expand outcropping oxide copper mineralisation.

While continuing to advance orebody knowledge studies, exploration at Las Bambas focused on mapping between the Ferrobamba and Chalcobamba infrastructure corridor, and geological review of the Sulfobamba deposit. At Sepon, the oxide copper potential around the Khanong Pit is now considered tested, with moderate copper oxide intercepts. Early drilling at Padan South returned encouraging oxide results which require follow up drilling.

Exploration activities were carried out at a number of new discovery programs, highlighted by deep-penetrating HELITEM (Helicopter Time-domain Electromagnetics) defining several deep conductors in core area of the Limoeiro nickel project in Brazil, and effective drill testing of sediment-hosted zinc at the Sable project and sediment-hosted copper at the Mansa project in Zambia.

PROJECT	HOLE_TYPE	METERAGE (METRES)	NUMBER OF HOLES	AVERAGE LENGTH (METRES)
Sepon	RC/Diamond	7,175	63	114
Kinsevere (includes Rad50)	RC/Diamond	7,591	60	127
Sable (zinc, Zambia)	Diamond	1,444	7	206
Mansa (copper, Zambia)	Diamond	694	4	173
Las Bambas	Diamond	992	7	142
Total		**17,894**	**141**	

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions or disposals in the six months ended 30 June 2016.

EVENTS AFTER THE REPORTING DATE

The Company announced on 7 July 2016 the commencement of commercial production of Las Bambas on and from 1 July 2016, which marks the time from which the site will be treated as an operation rather than a project.

On 10 August 2016, one of the Company's subsidiaries in Peru received a resolution from SUNAT (the Peruvian Tax Authority) denying a US$183.1 million Value Added Tax claim arising in the period prior to the Group's ownership of the Las Bambas project, i.e. up to 31 July 2014. The decision of SUNAT may be appealed, and the Group has been granted warranties and indemnities in relation to certain tax matters arising from the previous ownership of the Las Bambas project. On this basis, this amount is not recorded in the condensed consolidated interim statement of financial position.

A number of external parties have made informal approaches about acquiring the Golden Grove operations. MMG is in the process of appointing a financial advisor to commence a formal expression of interest process.

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

FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Commodity price risk
The Group is exposed to commodity price volatility on commodity sales made by its operations. This arises from the sale of metal and metal in concentrate products such as zinc, copper, lead, gold and silver, which are priced on, or benchmarked to, open market exchanges.

(b) Interest rate risk
The Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed periodically in light of the Group's overall exposure, the prevailing interest rate market and any funding counterparty requirements. Regular reporting is provided to the Executive Committee.

(c) Foreign exchange risk
The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries within the Group is US dollars. The majority of revenue received by the Group is in US dollars. The Group's foreign currency exchange risk arises predominantly from the currency of the countries in which the Group's operations are located.

The Group is exposed to foreign exchange risk primarily with respect to the Peruvian Sol (PEN), the Australian dollar (A$), and the Hong Kong dollar (HK$). Given the exchange rate peg between HK$ and US$, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HK$ or US$. However, exchange rate fluctuations of PEN or A$ against US$ could affect the Group's performance and asset value. The PEN and A$ are the most important currencies that influence costs.

The Group tries to minimise its foreign exchange risk exposures through natural hedges wherever possible. For instance, all external debt and surplus cash is denominated in US dollars. A portion of cash may be held in Australian dollars to meet operating costs.

(d) Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. At the reporting date, the carrying amount of the Group's financial assets, including cash and cash equivalents, trade and other receivables and other bank deposits, represents the maximum credit exposure.

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

(e) Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Management utilises short and long-term cash flow forecasts and other consolidated information to ensure that appropriate liquidity buffers are maintained to support the Group's activities.

(f) Sovereign risk
The Group has operations in countries that carry higher levels of sovereign risk. Political and administrative change and reforms in law, regulations or taxation may impact the Group's future performance.

CONTINGENT LIABILITIES

Legal proceedings

The Company and its subsidiaries are parties to certain legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at reporting date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

Bank guarantees

Certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. As at 30 June 2016, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending on the requirements of the relevant regulatory authorities.

Contingent assets – tax indemnities

The Group has been granted warranties and indemnities in relation to certain tax matters arising from the previous ownership of the Las Bambas project, that is, up to 31 July 2014. During the period ended 30 June 2016, the Group sought to enforce those indemnities filing formal claims totalling US$38.2 million (including penalties and interest). These amounts are recorded as Other Receivables, refer to Note 10.

No other litigation has been undertaken in relation to tax warranties and indemnities by the Group.

Contingent liabilities – tax related contingencies

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

CHARGES ON ASSETS

As at 30 June 2016 the following banking facilities granted to the Group required certain assets to be charged:

- the US$751.0 million facility granted by CDB and BOC Sydney to Album Resources Private Limited (Album Resources) and MMG Management Pty Ltd (MMG Management) dated 12 June 2012 (US$751.0 million Facility), with respect to a borrowing of US$525.7 million;
- the A$350.0 million bank guarantee facility between MMG Management and BOC Sydney (A$350.0 million Facility);
- the US$550.0 million facility granted by CDB and BOC Sydney to MMG Dugald River Pty Ltd (MMG Dugald River) dated 27 June 2013 and amended on 27 June 2016 (US$550.0 million Facility, previously the US$1.0 billion Facility), with respect to a borrowing of US$250.0 million; and
- the US$969.0 million acquisition facility and US$5,988.0 million project facility granted by CDB, ICBC, BOC Sydney and EXIM to Minera Las Bambas SA with respect to a borrowing of approximately US$6,954.7 million, and the US$380.0 million bank guarantee facility between Minera Las Bambas SA and ICBC (together, the Las Bambas Facilities).

The charges in respect of the US$751.0 million Facility are:

- a first-ranking equitable mortgage over 100% of the shares held in Album Resources' wholly owned subsidiary, Album Investment Private Limited (Album Investment);
- a first-ranking equitable mortgage over 100% of the shares in certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited (MMG Laos Holdings); and
- a share charge over 70% of the shares in certain other subsidiaries of Album Investment including MMG Laos Holdings.

The security in respect of the A$350.0 million Facility is a second-ranking equitable mortgage over the assets described above.

The charges in place for the US$550.0 million Facility are the same as those existing in respect of the US$751.0 million Facility. In addition, certain subsidiaries of the Company that relate to the Dugald River project have provided asset security in respect of their assets. Following successful commissioning of the Dugald River project, and subject to meeting certain agreed conditions, the financing will be limited recourse to the assets and shares of MMG Dugald River.

The charges in respect of the Las Bambas Facilities are:

- share security over 100% of the shares held in MMG South America Management Company Limited and each of its subsidiaries, including the borrower, Minera Las Bambas SA;
- a debenture over the assets of MMG South America Management Company Limited and an assets pledge agreement and production unit mortgage in respect of all of the assets of Minera Las Bambas SA; and
- assignments of Shareholder loans between MMG South America Management Company and its subsidiaries and security agreements over bank accounts of Minera Las Bambas SA.

FUTURE PROSPECTS

MMG expects to produce 415,000-477,000[6] tonnes of copper and 120,000-135,000 tonnes of zinc in 2016.

Total capital expenditure is expected to be in the range of US$900-950 million for 2016. This includes approximately US$250 million for Dugald River (US$78.8 million incurred in first half of 2016), approximately US$450-500 million for Las Bambas (US$218.6 million incurred in first half of 2016) and approximately US$200 million from all other operations (US$78.2 million incurred in first half of 2016). Las Bambas guidance includes project costs and sustaining capital.

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

[6] Production volumes include pre and post-commercial production volumes at Las Bambas.

OTHER INFORMATION

CORPORATE GOVERNANCE

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

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the first half 2016, except for the deviation from code provision A.4.1 as disclosed below.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term and subject to re-election. Each of the Non-executive Directors entered into a service agreement with the Company for a specific term of three years, except for Dr Peter Cassidy. Dr Cassidy's appointment agreement commenced on 31 December 2010 and continues until either the Company or he terminates such agreement by serving on the other not less than one month's prior written notice. In accordance with the Company's articles of association, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next AGM (in the case of an addition to the Board), and thereafter be subject to retirement by rotation at least once every three years at the AGM. Dr Cassidy, who was appointed by the Board on 31 December 2010 to fill a casual vacancy, is also subject to retirement from the Board by rotation at least once every three years at the AGM. He was re-elected by the Shareholders at the three annual general meetings since he was appointed as Director and was last re-elected on 25 May 2016.

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

AUDIT COMMITTEE

The Audit Committee comprises five members including four Independent Non-executive Directors, namely Dr Peter Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Seabrook and Professor Pei Ker Wei and one Non-executive Director, Mr Gao Xiaoyu. Ms Seabrook is the Chair of the Audit Committee. As Dr Cassidy also serves as the Chairman of the Remuneration Committee and a member of the Governance and Nomination Committee and Risk Management Committee of the Company, he has advised the Board of his resignation from the Audit Committee effective upon the publication of the Interim Results Announcement on 16 August 2016 to devote more time to the other Board Committees.

The Audit Committee is accountable to the Board. It focuses primarily on financial reporting-related matters, such as reviewing financial information and overseeing financial reporting-related systems and controls. The Audit Committee has reviewed the unaudited interim financial report of the Group for the first half 2016.

SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code and the Securities Trading Model Code during the first half 2016.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the first half 2016.

INDEPENDENT REVIEW

The interim financial information for the six months ended 30 June 2016 is unaudited and has been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's unmodified review report will be included in the 2016 interim report. This interim financial information has also been reviewed by the Company's Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is also published on the websites of the Australian Securities Exchange (www.asx.com.au) and Company (www.mmg.com). The Company's 2016 Interim Report will be despatched to Shareholders and made available on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk), the Australian Securities Exchange and the Company in due course.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	NOTES	SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Revenue	3	586.1	1,113.8
Other income		0.8	1.5
Expenses (excluding depreciation and amortisation expenses)	4	(452.6)	(739.4)
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA		**134.3**	**375.9**
Depreciation and amortisation expenses	4	(201.3)	(380.9)
Loss before interest and income tax - EBIT		**(67.0)**	**(5.0)**
Finance income	5	2.2	2.3
Finance costs	5	(49.3)	(44.1)
Loss before income tax		**(114.1)**	**(46.8)**
Income tax credit/(expense)	6	21.1	(1.2)
Loss for the period		**(93.0)**	**(48.0)**
Loss for the period attributable to:			
Equity holders of the Company		(92.5)	(46.2)
Non-controlling interests		(0.5)	(1.8)
		(93.0)	**(48.0)**
Loss per share for loss attributable to the equity holders of the Company			
Basic and diluted loss per share	7	**US (1.75) cents**	**US (0.87) cents**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	SIX MONTHS ENDED 30 JUNE	
	2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Loss for the period	**(93.0)**	**(48.0)**
Other comprehensive income/ (expense)		
Items that may subsequently be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	3.3	(4.2)
Other comprehensive income/ (expense) for the period, net of tax	**3.3**	**(4.2)**
Total comprehensive expense for the period	**(89.7)**	**(52.2)**
Total comprehensive expense attributable to:		
Equity holders of the Company	(89.2)	(50.4)
Non-controlling interests	(0.5)	(1.8)
	(89.7)	**(52.2)**

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 JUNE 2016 (UNAUDITED) US$ MILLION	31 DECEMBER 2015 (AUDITED) US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment	9	12,222.2	11,873.0
Intangible assets		620.7	628.6
Inventories		65.6	61.2
Deferred income tax assets		335.3	368.5
Other receivables		118.7	82.0
Other financial assets		13.4	12.4
		13,375.9	**13,025.7**
Current assets			
Inventories		435.3	281.7
Trade and other receivables	10	520.3	719.2
Current income tax assets		5.5	1.4
Other financial assets		17.9	14.9
Cash and cash equivalents		215.9	598.3
		1,194.9	1,615.5
Assets of disposal group classified as held for sale	18	18.8	18.8
		1,213.7	**1,634.3**
Total assets		**14,589.6**	**14,660.0**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	11	2,359.1	2,359.1
Reserves and retained profits		(1,781.7)	(1,692.5)
		577.4	666.6
Non-controlling interests		1,504.6	1,508.6
Total equity		**2,082.0**	**2,175.2**

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

	NOTES	30 JUNE 2016 (UNAUDITED) US$ MILLION	31 DECEMBER 2015 (AUDITED) US$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	13	9,571.9	9,986.2
Provisions		790.5	775.8
Other payables		151.2	134.6
Deferred income tax liabilities		673.4	744.0
		11,187.0	**11,640.6**
Current liabilities			
Borrowings	13	832.9	276.9
Provisions		105.6	137.7
Trade and other payables	14	373.8	393.0
Current income tax liabilities		3.8	31.8
Derivative financial instruments		-	0.3
		1,316.1	839.7
Liabilities of disposal group classified as held for sale	18	4.5	4.5
		1,320.6	**844.2**
Total liabilities		**12,507.6**	**12,484.8**
Net current (liabilities)/ assets		**(106.9)**	**790.1**
Total equity and liabilities		**14,589.6**	**14,660.0**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	FOR SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED)					
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	SHARE CAPITAL	TOTAL RESERVES (NOTE 12)	RETAINED PROFITS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2016	2,359.1	(1,926.3)	233.8	666.6	1,508.6	2,175.2
Loss for the period	-	-	(92.5)	(92.5)	(0.5)	(93.0)
Other comprehensive income	-	3.3	-	3.3	-	3.3
Total comprehensive expense for the period	**-**	**3.3**	**(92.5)**	**(89.2)**	**(0.5)**	**(89.7)**
Transactions with owners						
Dividends paid to non-controlling interests	-	-	-	-	(3.5)	(3.5)
Total transactions with owners	-	-	-	-	(3.5)	(3.5)
At 30 June 2016	**2,359.1**	**(1,923.0)**	**141.3**	**577.4**	**1,504.6**	**2,082.0**

	FOR SIX MONTHS ENDED 30 JUNE 2015 (UNAUDITED)					
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	SHARE CAPITAL	TOTAL RESERVES	RETAINED PROFITS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At 1 January 2015	2,358.9	(1,932.9)	1,260.3	1,686.3	1,288.3	2,974.6
Loss for the period	-	-	(46.2)	(46.2)	(1.8)	(48.0)
Other comprehensive expense	-	(4.2)	-	(4.2)	-	(4.2)
Total comprehensive expense for the period	**-**	**(4.2)**	**(46.2)**	**(50.4)**	**(1.8)**	**(52.2)**
Transactions with owners						
Employee share options and share awards	0.2	8.2	-	8.4	-	8.4
Contribution from non-controlling interests	-	-	-	-	250.5	250.5
Dividends paid to non-controlling interests	-	-	-	-	(5.0)	(5.0)
Total transactions with owners	**0.2**	**8.2**	**-**	**8.4**	**245.5**	**253.9**
At 30 June 2015	**2,359.1**	**(1,928.9)**	**1,214.1**	**1,644.3**	**1,532.0**	**3,176.3**

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

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	SIX MONTHS ENDED 30 JUNE	
	2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Cash flows from operating activities		
Receipts from customers	686.1	1,161.6
Payments to suppliers and employees	(561.0)	(865.2)
Payments for exploration expenditure	(18.8)	(17.9)
Income tax paid	(48.6)	(75.8)
Net cash generated from operating activities	**57.7**	**202.7**
Cash flows from investing activities		
Purchase of property, plant and equipment	(375.6)	(946.4)
Purchase of intangible assets	(3.8)	(7.2)
Purchase of financial assets	(0.7)	(1.3)
Payments for the acquisition of subsidiaries	-	(12.2)
Proceeds from disposal of property, plant and equipment	1.5	1.3
Proceeds from disposal of financial assets	-	0.2
Net cash used in investing activities	**(378.6)**	**(965.6)**
Cash flows from financing activities		
Proceeds from borrowings	363.4	489.0
Repayments of borrowings	(226.9)	(54.8)
Proceeds from related party borrowings	-	417.5
Proceeds from repayments of loan to a related party	-	80.0
Capital contribution from non-controlling interests	-	250.5
Shares issued upon exercise of employee share options	-	0.1
Dividends paid to non-controlling interests	(3.5)	(5.0)
Interest and financing costs paid	(197.1)	(54.4)
Interest received	2.6	2.1
Net cash (used in)/ generated from financing activities	**(61.5)**	**1,125.0**
Net (decrease)/ increase in cash and cash equivalents	**(382.4)**	**362.1**
Cash and cash equivalents at 1 January	598.3	251.2
Cash and cash equivalents at 30 June	**215.9**	**613.3**

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND INDEPENDENT REVIEW

MMG Limited (the "Company") is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

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

The condensed consolidated interim financial statements for the six months ended 30 June 2016 are presented in US$ unless otherwise stated and have been approved for issue by the Board on 16 August 2016.

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

• The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

• The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The condensed consolidated interim financial statements for the six months ended 30 June 2016 are unaudited and have been reviewed by the audit committee and the external auditor of the Company.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKEx and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting,* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The condensed consolidated interim financial statements have been prepared on the going-concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

As at 30 June 2016, the Group had net current liabilities of US$106.9 million (2015: net current assets of US$790.1 million), which was mainly a result of US$842.6 million of debt being repayable within twelve months from the reporting date as stated in Note 13. In addition, total net cash outflows for the period were US$382.4 million as a result of depressed commodity prices and continued investment into Las Bambas and Dugald River projects for the half year period.

The Directors considered the following in evaluating the Group's ability to continue as a going concern:

- Total cash and cash equivalents of US$215.9 million were held by the Group (including Las Bambas);
- The Group expects positive operating cashflows for the 12 months following the approval of the condensed consolidated interim financial statements. These are mainly as a result of achieving commercial production at Las Bambas at 1 July 2016 and forecast improvements in the copper price;
- The Group will continue to incur cash outflows to invest in projects including Dugald River, however this will be funded via the utilisation of the remaining US$300 million of the recently amended US$550 million exclusive facility;
- Total debt of US$ 842.6 million maturing by June 2017;
- The Group has commenced discussions with its lenders to refinance the current debt facilities and to seek covenant waivers in respect to compliance with financial covenants which may be breached within twelve months from the reporting date based on existing forecasts. The Group has positive relationships with its external financiers and they have historically agreed to refinance facilities and in the current period agreed to waive compliance with certain financial covenants. These relationships are supported and enhanced by the guarantees provided by the Group's major shareholder China Minmetals Corporation ("CMC") in respect of certain facilities and CMC's own relationships with the Group's external financiers; and
- Excluding the Dugald River facility, the Group has US$350 million of undrawn available facilities which include:
  - US$100 million undrawn under the US$300 million Industrial and Commercial Bank of China ("ICBC") Term and Revolving Facility, which is available only for the operational (not capital) funding requirements of the Group; and
  - US$250 million undrawn under the US$350 million Bank of China Limited, Sydney Branch ("BOC Sydney") Working Capital Revolving Facility, which is available only for the operational (not capital) funding requirements of Minera Las Bambas S.A..

Following the evaluation of the above, and also considering the Group's various alternate funding options available to it should the need arise, including raising capital to settle a portion of existing debt, and sale of assets, the Group is expected to be in a positive cashflow position in the next 12 months.

In the event that the Group is unsuccessful in the matters set out above, and in particular, that the refinancing is not achieved, the Group has the support of its major shareholder, CMC. In this circumstance, support may be in the form of providing additional debt facilities, deferral of debt service and repayment obligations in relation to existing major shareholder loans, or further equity contributions.

Based on the reasons set out above the Directors are of the view that the Group will be able to meet its debts as and when they fall due and accordingly the Directors have prepared the condensed consolidated interim financial statements on a going concern basis.

2.1 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual Financial Statements for the year ended 31 December 2015.

(a) Amendments to existing standards effective and adopted in 2016 but not relevant or significant to the Group

HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKFRSs (Amendments)	Annual improvements to HKFRS 2012 – 2014 cycle

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted

The Group has not early adopted the following new standards and amendments to standards that have been issued but are not effective for financial year 2016. The Group is in the process of assessing their impact on the Group's results and financial position.

HKAS 7 (Amendments)	Disclosure initiative[a]
HKFRS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses[a]
HKFRS 9	Financial instruments[b]
HKFRS 15	Revenue from contracts with customers[b]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 revenue from contracts with customers[b]
HKFRS 16	Leases[c]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[d]

Effective for the Group for annual period beginning on:

(a) 1 January 2017

(b) 1 January 2018

(c) 1 January 2019

(d) Effective date to be determined

2.2 Critical estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial statements, management exercised judgement in assessing the status of commissioning of the Las Bambas Development Project ('Las Bambas') for accounting purposes in order to determine whether the mining project was substantially completed and ready for its intended purpose. The key criteria used to determine the status of commissioning of the mining project related to the achievement of 'commercial levels of production', including but not limited to completion of a reasonable period of testing of the mine plant and equipment, the ability to produce metal in saleable form and the ability to sustain continuous production of metal. As a result of this assessment management determined that Las Bambas has not commenced commercial production for accounting purpose as at 30 June 2016.

Other than the above, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

2.3 Tax

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

2.4 Financial risk management

(a) Financial risk factors

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2015.

There have been no changes in the risk management department or in any risk management policies since 31 December 2015.

(b) Liquidity risk

Compared to 31 December 2015, there was no material change in the contractual undiscounted cash outflows for financial liabilities, refer to the Group's going concern analysis in Note 2.

(c) Fair value of financial instruments

The fair values of cash and cash equivalents and short-term monetary financial assets and financial liabilities approximate their carrying values. The fair values of other monetary financial assets and liabilities are either based upon market prices, where a market exists, or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles.

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

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

The carrying amounts and fair values of financial assets and liabilities by category and class at 30 June 2016 and 31 December 2015 are:

US$ MILLION	NOTE	LOANS AND RECEIVABLES	AVAILABLE -FOR-SALE	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	OTHER LIABILITIES AT AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
As at 30 June 2016							
Financial assets							
Cash and cash equivalents		215.9	-	-	-	**215.9**	**215.9**
Trade receivables	10	99.6	-	-	-	**99.6**	**99.6**
Sundry receivables		58.1	-	-	-	**58.1**	**58.1**
Other financial assets		11.1	17.8	2.4	-	**31.3**	**31.3**
		384.7	**17.8**	**2.4**	**-**	**404.9**	**404.9**
Financial liabilities							
Trade and other payables		-	-	-	525.0	**525.0**	**525.0**
Borrowings (excluding prepayments)	13	-	-	-	10,495.7	**10,495.7**	**10,497.1**
		-	**-**	**-**	**11,020.7**	**11,020.7**	**11,022.1**
As at 31 December 2015							
Financial assets							
Cash and cash equivalents		598.3	-	-	-	**598.3**	**598.3**
Trade receivables	10	38.1	-	-	-	**38.1**	**38.1**
Sundry receivables		148.3	-	-	-	**148.3**	**148.3**
Other financial assets		10.3	14.5	2.5	-	**27.3**	**27.3**
		795.0	**14.5**	**2.5**	**-**	**812.0**	**812.0**
Financial liabilities							
Trade and other payables	14	-	-	-	527.6	**527.6**	**527.6**
Borrowings (excluding prepayments)	13	-	-	-	10,357.8	**10,357.8**	**10,362.5**
		-	**-**	**-**	**10,885.4**	**10,885.4**	**10,890.1**

3. SEGMENT INFORMATION

HKFRS 8 "*Operating Segments*" requires operating segments to be identified on the basis of internal reports about operations of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and assess its performance.

The chief operating decision-maker has been identified as the Company's Executive Committee, which consists of all Executive Directors of the Company, Chief Financial Officer, Chief Operating Officer, Executive General Manager – Business Support and Executive General Manager – Stakeholder Relations. They review the Group's internal reporting of these operations in order to assess performance and allocate resources.

The Group restructured its internal organisation to manage its portfolio of Australian operations centrally. In 2016, the Company's Executive Committee commenced reviewing the operations of Rosebery and Golden Grove mines on an aggregate basis. Accordingly, the Group has combined its previously reported segments of Rosebery and Golden Grove into one "Australian Operations" reportable segment. Century mine ceased production in 2016 and is no longer an operating segment, consequently all results and balances for Century have been reclassified to the "Other".

The corresponding items of segment information for comparative periods have been restated to reflect the changes described above.

The Group now has reportable segments as follows:

Las Bambas	The Las Bambas mine is a large open pit, scalable, long-life mining operation with prospective exploration options. It is located in Cotabambas, Apurimac region of Peru. The Las Bambas mine was commissioned for accounting purposes on 1 July 2016, refer to Note 19.
Sepon	Sepon is an open-pit copper mining operation located in southern Laos.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Katanga Province of the Democratic Republic of the Congo (DRC).
Australian Operations	This reportable segment includes Rosebery and Golden Grove. Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. Golden Grove is an underground and open-pit base and precious metals mining operation located in Western Australia's mid-west.
Other	Includes Century mine which is an open-pit zinc mine located in north-west Queensland Australia. This segment also includes exploration and development projects (including the Dugald River project) as well as the results of corporate entities in the group. All other segments are immaterial and have been aggregated.

A segment result represents the EBIT by each segment. This is the measure reported to the Company's Executive Committee for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the Company's Executive Committee is measured in a manner consistent with that in the financial statements.

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

The segment revenue and result for the six months ended 30 June 2016 are as follows:

	FOR THE PERIOD ENDED 30 JUNE 2016 (UNAUDITED)					
US$ MILLION	Sepon	Kinsevere	Las Bambas(i)	Australian operations	Other unallocated items/ eliminations	Group
External revenue from third parties	122.1	192.3	-	167.8	24.6	506.8
External revenue from related parties	54.2	-	-	25.9	(0.8)	79.3
Revenue	**176.3**	**192.3**	**-**	**193.7**	**23.8**	**586.1**
EBITDA	**61.2**	**67.9**	**16.9**	**59.1**	**(70.8)**	**134.3**
Depreciation and amortisation expenses	(59.5)	(91.1)	-	(48.9)	(1.8)	(201.3)
EBIT	**1.7**	**(23.2)**	**16.9**	**10.2**	**(72.6)**	**(67.0)**
Finance income						2.2
Finance costs						(49.3)
Income tax credit						21.1
Loss for the period						**(93.0)**
Other segment information:						
Additions to non-current assets (excluding deferred tax assets and financial instruments)	30.2	6.9	375.0	39.4	92.5	**544.0**

The segment assets and liabilities as at 30 June 2016 are as follows:

	AS AT 30 JUNE 2016 (UNAUDITED)					
US$ MILLION	Sepon	Kinsevere	Las Bambas(i)	Australian operations	Other unallocated items/ eliminations	Group
Segment assets	752.6	1,129.4	11,204.5	662.9	499.4(ii)	14,248.8
Current/deferred income tax assets						340.8
Consolidated assets						**14,589.6**
Segment liabilities	225.5	156.0	7,282.8	169.5	3,996.6(iii)	11,830.4
Current/deferred income tax liabilities						677.2
Consolidated liabilities						**12,507.6**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

The segment revenue and result for the six months ended 30 June 2015 are as follows:

	FOR THE PERIOD ENDED 30 JUNE 2015 (UNAUDITED)					
US$ MILLION	Sepon	Kinsevere	Las Bambas(i)	Australian operations (restated)	Other unallocated items/ eliminations (restated)	Group
External revenue from third parties	196.5	222.7	-	233.0	390.6	1,042.8
External revenue from related parties	72.8	-	-	(1.3)	(0.5)	71.0
Revenue	**269.3**	**222.7**	**-**	**231.7**	**390.1**	**1,113.8**
EBITDA	**154.9**	**80.9**	**(13.5)**	**56.4**	**97.2**	**375.9**
Depreciation and amortisation expenses	(60.6)	(86.3)	-	(49.1)	(184.9)	(380.9)
EBIT	**94.3**	**(5.4)**	**(13.5)**	**7.3**	**(87.7)**	**(5.0)**
Finance income						2.3
Finance costs						(44.1)
Income tax expense						(1.2)
Loss for the period						**(48.0)**
Other segment information:						
Additions to non-current assets (excluding deferred tax assets and financial instruments)	34.8	20.0	772.5	26.3	48.5	**902.1**

The segment assets and liabilities as at 31 December 2015 are as follows:

	AS AT 31 DECEMBER 2015 (AUDITED)					
US$ MILLION	Sepon	Kinsevere	Las Bambas(i)	Australian operations (restated)	Other unallocated items/ eliminations (restated)	Group
Segment assets	787.1	1,244.4	10,901.8	680.8	676.0 (ii)	14,290.1
Current/deferred income tax assets						369.9
Consolidated assets						**14,660.0**
Segment liabilities	227.2	177.3	6,913.3	177.0	4,214.2 (iii)	11,709.0
Current/deferred income tax liabilities						775.8
Consolidated liabilities						**12,484.8**

(i) Las Bambas segment refers to MMG South America Management Company Limited and its subsidiaries. Las Bambas segment's EBITDA and EBIT mainly relates to foreign exchange gain/(loss) on translation of monetary items denominated in Peruvian currency. MMG South America Company Limited holds 62.5% of MMG South America Management Company Limited and is included in "Other unallocated items/eliminations" segment.

(ii) Included in segment assets of US$499.4 million (31 December 2015: US$676.0 million) for the Other segment are cash and cash equivalents of US$55.7 million (31 December 2015: US$381.9 million) mainly held at the Group's treasury entities, property, plant and equipment of US$206.8 million (31 December 2015: US$125.6 million) for Dugald River, capitalised borrowing costs of US$151.4 million (31 December 2015: US$107.4 million) in MMG South America Company Limited in relation to Las Bambas Project and other financial assets of US$20.2 million (31 December 2015: US$17.0 million).

(iii) Included in segment liabilities of US$3,996.6 million (31 December 2015: US$4,214.2 million) for the Other segment are borrowings of US$ 3,425.6 million (31 December 2015: US$3,649.4 million), which are managed at Group level, and rehabilitation provisions of US$331.0 million (31 December 2015: US$ 330.0 million) at Century.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

4. EXPENSES

Loss before income tax includes the following specific expenses:

	SIX MONTHS ENDED 30 JUNE	
	2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Changes in inventories of finished goods and work in progress	(30.9)	(3.3)
Reversal of impairment / (impairment) of inventory to net realisable value	5.7	(6.1)
Employee benefit expenses(i)	(74.4)	(143.3)
Contracting and consulting expenses	(56.7)	(100.7)
Energy costs	(56.6)	(91.3)
Stores and consumables costs	(102.4)	(165.0)
Depreciation and amortisation expenses(ii)	(199.4)	(375.6)
Operating lease rental(iii)	(7.5)	(16.4)
Other production expenses	(8.6)	(5.7)
Cost of goods sold	**(530.8)**	**(907.4)**
Other operating expenses (i)	(24.2)	(30.5)
Royalty expenses	(23.4)	(50.4)
Selling expenses	(29.8)	(50.3)
Operating expenses including depreciation and amortisation(iv)	**(608.2)**	**(1,038.6)**
Exploration expenses	(18.8)	(17.9)
Administrative expenses	(27.2)	(42.8)
Exchange gain/(losses) – net	5.4	(6.0)
Loss on financial assets at fair value through profit or loss	(0.1)	(1.5)
Other expenses(i) (ii) (iii)	(5.0)	(13.5)
Total expenses	**(653.9)**	**(1,120.3)**

(i) In aggregate US$53.5 million (2015: US$57.9 million) of employee benefit expenses were included in administrative expenses, exploration expenses, other operating expense and other expenses categories. Total employee benefit expenses were US$127.9 million (2015: US$201.2 million).

(ii) In aggregate US$1.9 million (2015: US$5.3 million) of depreciation and amortisation expenses were included in other expenses categories. Total depreciation and amortisation expenses were US$201.3 million (2015: US$380.9 million).

(iii) In aggregate, an additional US$4.3 million (2015: US$3.7 million) of operating lease rentals were included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals were US$11.8 million (2015: US$20.1 million).

(iv) Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

5. FINANCE COSTS – NET

	SIX MONTHS ENDED 30 JUNE	
	2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Finance income		
Interest income on cash and cash equivalents	2.2	1.5
Interest income on loan to a related party	-	0.8
	2.2	**2.3**
Finance costs		
Interest expense on bank borrowings	(180.7)	(139.1)
Interest expense on convertible redeemable preference shares	(9.9)	(9.6)
Interest expense on related party borrowings	(43.9)	(38.3)
Unwinding of discount on provisions	(14.1)	(16.8)
Other finance cost	(11.4)	(9.3)
Finance costs - total	**(260.0)**	**(213.1)**
Less: Borrowing costs capitalised in relation to qualifying assets(i)	**210.7**	**169.0**
Finance costs – net of capitalised borrowing costs	**(49.3)**	**(44.1)**

(i) Borrowing costs capitalised include finance costs on borrowings held to specifically fund the assets, net of interest income earned on the temporary investment of those funds, and finance costs on generic borrowings capitalised at the rate of 3.9% (2015: 3.1%) representing the average interest rate on general borrowings. From 1 January 2016 the Group does not capitalise generic interest on the Dugald River project.

6. INCOME TAX CREDIT/(EXPENSE)

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

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

	SIX MONTHS ENDED 30 JUNE	
	2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Current income tax expense		
– Hong Kong income tax	-	-
– Overseas income tax	(16.3)	(39.5)
	(16.3)	(39.5)
Deferred income tax credit	37.4	38.3
Income tax credit / (expense)	**21.1**	**(1.2)**

There is no deferred tax impact relating to items of other comprehensive income (2015: nil).

7. LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic and diluted loss per share is based on the loss attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the period.

	SIX MONTHS ENDED 30 JUNE	
	2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Loss attributable to equity holders of the Company	(92.5)	(46.2)
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in the calculation of the basic and diluted loss per share[i]	5,290,070	5,289,685
Basic and diluted loss per share[i]	US (1.75) cents	US (0.87) cents

(i) Diluted loss per share is the same as basic loss per share for the six months ended 30 June 2016 and 30 June 2015. Potential ordinary shares are anti-dilutive as their conversion to ordinary shares will result in a decrease of loss per share. The calculation of diluted loss per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on loss per share.

8. DIVIDENDS

At a meeting on 16 August 2016, the Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: nil).

9. PROPERTY, PLANT AND EQUIPMENT

	SIX MONTHS ENDED 30 JUNE 2016 (UNAUDITED) US$ MILLION
Opening net book amount	11,873.0
Additions	540.2
Depreciation and amortisation expenses	(189.9)
Disposals (net)	(1.1)
Closing net book amount	**12,222.2**

Impairment review of non-current assets

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

Indicators of impairment and potential impairment reversal were identified as at 30 June 2016. These included a drop in commodity prices and changes to mine plans. As a result, the Group identified impairment indicators for Sepon, Golden Grove, Kinsevere and reversal of impairment indicators for Dugald River.

Las Bambas was under development for the period (commissioned in July 2016) and is progressing in line with the original acquisition case.

(i) Approach

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

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process, including life of asset ("LOA") plans, three year budgets, one-year forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise and reduce operational activity, apply technology, improve capital and labour productivity and other production efficiencies are also included along with the expected costs to realise the initiatives.

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

(ii) Key assumptions

The key assumptions impacting the discounted cash flow models include:

- Commodity prices;
- Operating costs;
- Real post-tax discount rates;
- Foreign exchange rates; and
- Reserves and resources.

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

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

Commodity price estimates included in the 3 year budget cashflows range between the current spot price and broker consensus forecasts. The long term price assumed for copper is $2.98 per pound (year ended 2015: $2.95 per pound) and for zinc is $1.21 per pound (year ended 2015: $1.20 per pound).

The AUD:USD exchange rate has been included as between 0.74 and 0.75 in the 3 year budget cashflows (year ended 2015: between 0.71 and 0.77) with a long term exchange rate of 0.80 (year ended 2015: 0.82).

The real post-tax discount rates used in the Fair Value estimates for each of the CGU's are 7% for Sepon and the Australian assets (year ended 2015: 8%), 8% for Las Bambas (year ended 2015: 8%), and 9% for Kinsevere (year ended 2015: 8%).

(iii) Significant changes to valuation since the previous reporting period

Where indicators of impairment have been identified, the Fair Value was established based on the 31 December 2015 LOA plan cashflows. The 2015 LOA cashflows have been adjusted for significant developments and refreshed for the Group's latest commodity price, exchange rate and discount rate assumptions.

Sepon

The Sepon Fair Value is determined through a combination of the 31 December 2015 LOA cashflows and resource multiples for the gold resources and reserves. The resource multiples applied for the gold resources and reserves are based on transactions entered into using a range of different gold prices.

Golden Grove

The 2015 LOA for Golden Grove has been updated to reflect a right-sizing of operations to 1.0mtpa from 1.6mpta with a lower cost base.

Kinsevere

The Kinsevere Fair Value is determined through a combination of the 31 December 2015 LOA cashflows and exploration range analyses including an update to the latest assumptions for key expansion capital projects.

Dugald River

The Dugald River development project was impaired in December 2015 by $462.6 million, post tax. The impairment was recognised as a result of further weakening in commodity prices, and industry changes in the region having an adverse effect on the valuation of the project.

The Group has revised the Dugald River project plan during the 6 months ended 30 June 2016 and has identified cost savings and operational improvements resulting in approval for external funding to complete the project. The Group assessed if a reversal of impairment was required at 30 June and no adjustment was made due to the early stage of the project. A reversal of impairment may be required in future periods if zinc prices continue to increase and the project is completed on time and on budget.

(iv) Conclusion

The impairment review of all the Group's operations as at 30 June 2016 has not resulted in the recognition of impairment or impairment reversal of the Group's non-current assets (year ended 2015: impairment losses of US$897.0 million, pre-tax). The 2016 LOAs are being completed in the second half of the year during the mine planning process and will be used to test impairment at 31 December 2016.

(v) Sensitivity analysis

Sepon

The key assumptions to which the calculation of Fair Value for Sepon is most sensitive are copper price and operating costs. An adverse change of 5% in copper prices over the mine life would decrease the recoverable amount by approximately US$69 million, and an adverse change of 5% in operating costs would decrease the recoverable amount by approximately US$43 million.

Golden Grove

The key assumption to which the calculation of Fair Value for Golden Grove is most sensitive is zinc price. An adverse change of 5% in zinc prices over the mine life would decrease the recoverable amount by approximately US$21 million.

Kinsevere

The key assumptions to which the calculation of Fair Value for Kinsevere is most sensitive is the copper price. An adverse change of 5% in copper prices over the mine life would decrease the recoverable amount by approximately US$127 million.

Dugald River

The key assumptions to which the calculation of Fair Value for Dugald River is most sensitive are the zinc price and operating costs. An adverse change of 5% zinc prices over the mine life would decrease the recoverable amount by approximately US$80 million, and an adverse change of 5% in operating costs would decrease the recoverable amount by approximately US$54 million.

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

The recoverable amounts exceed the carrying amounts in respect of the Sepon, Golden Grove and Kinsevere CGUs. A change in one of the key assumptions by the amounts indicated in the sensitivity analysis above may result in impairment.

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

10. TRADE AND OTHER RECEIVABLES

	30 JUNE 2016 (UNAUDITED) US$ MILLION	31 DECEMBER 2015 (AUDITED) US$ MILLION
Non-current other receivables		
Prepayments	20.6	20.2
Other receivables – government taxes[(ii)]	88.6	48.6
Sundry receivables	9.5	13.2
	118.7	**82.0**
Current trade and other receivables		
Trade receivables[(i)]	99.6	49.1
Less: Allowance for impairment of trade receivables	-	(11.0)
Trade receivables (net)	99.6	38.1
Prepayments	51.7	47.0
Other receivables – government taxes[(ii)]	320.4	499.0
Sundry receivables	48.6	135.1
	520.3	**719.2**

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

As at 30 June 2016, all trade receivables amount to US$99.6 million (31 December 2015: US$49.1 million) and were aged less than six months, no trade receivables were past due but not impaired (31 December 2015: US$nil).

As at 30 June 2016, the Group's trade receivables included an amount of US$34.7 million (31 December 2015: US$6.6 million) (Note 15), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US$.

(ii) Other receivables – government taxes:

Non-current other receivable – government Taxes	30 JUNE 2016 (UNAUDITED) US$ MILLION	31 DECEMBER 2015 (AUDITED) US$ MILLION
Peru[1]	38.6	38.6
Democratic Republic of the Congo	50.0	-
Other	-	10.0
Total government taxes receivables – non-current	**88.6**	**48.6**
Current other receivable – government Taxes		
Peru[1]	315.4	456.5
Democratic Republic of the Congo	-	33.5
Other	5.0	9.0
Total government taxes receivables – current	**320.4**	**499.0**

1. The amount mainly consists of VAT receivable in Las Bambas.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

11. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES (UNAUDITED) '000	SHARE CAPITAL (UNAUDITED) US$ MILLION
Issued and fully paid:		
At 1 January and 30 June 2016	5,290,070	2,359.1

12. RESERVES

US$ MILLION	Special capital RESERVE	Exchange translation RESERVE	AVAILABLE-FOR-SALE FINANCIAL ASSETS RESERVE	Merger RESERVE	Other reserves	Total reserves
At 1 January 2016 (audited)	9.4	2.7	(11.8)	(1,946.9)	20.3	**(1,926.3)**
Other comprehensive income						
Change in fair value of available-for-sale financial assets	-	-	3.3	-	-	**3.3**
At 30 June 2016 (unaudited)	9.4	2.7	(8.5)	(1,946.9)	20.3	**(1,923.0)**

13. BORROWINGS

	30 JUNE 2016 (UNAUDITED) US$ MILLION	31 DECEMBER 2015 (AUDITED) US$ MILLION
Non-current		
Loan from a related party (Note 15)	2,261.3	2,261.3
Bank borrowings	7,204.8	7,623.4
Convertible redeemable preference shares	187.0	185.7
	9,653.1	10,070.4
Prepayments – finance charges	(81.2)	(84.2)
	9,571.9	**9,986.2**
Current		
Bank borrowings	825.7	270.5
Convertible redeemable preference shares	16.9	16.9
	842.6	287.4
Prepayments – finance charges	(9.7)	(10.5)
	832.9	**276.9**
Analysed as:		
- Secured	7,730.5	7,614.6
- Unsecured	2,765.2	2,743.2
	10,495.7	10,357.8
Prepayments – finance charges	(90.9)	(94.7)
	10,404.8	**10,263.1**
Borrowings (excluding: prepayments) are repayable as follows:		
- Within 1 year	842.6	281.2
- Between 1 and 2 years	163.5	858.8
- Between 2 and 5 years	4,208.2	4,114.7
- Over 5 years	5,281.4	5,103.1
	10,495.7	10,357.8
Prepayments – finance charges	(90.9)	(94.7)
	10,404.8	**10,263.1**

The effective interest rate at 30 June 2016 was 4.4% (31 December 2015: 4.2%).

Available debt facilities

As at 30 June 2016, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US$400.0 million (31 December 2015: US$850.0 million), including:

- US$300.0 million available under the amended US$550.0 million exclusive Dugald River facility, which can only be used for the purpose of funding the Dugald River project; and
- US$100.0 million available under the existing US$300.0 million ICBC term and revolving facility.

In addition, as at 30 June 2016, US$0.7 million of the facility provided by Top Create Resources Limited, a Shareholder of the Company, remained undrawn (2015: US$0.7 million).

As at 30 June 2016, the MMG South America Management Group had available undrawn bank debt facilities of US$252.3 million (31 December 2015: US$265.7 million), which is exclusively for the MMG South America Management Group, including:

- US$250.0 million available under the existing US$350.0 million BOC Sydney Working Capital Revolving Facility; and
- US$2.3 million available under the existing Las Bambas Project Facility with syndicate lenders led by China Development Bank Corporation.

14. TRADE AND OTHER PAYABLES

As at 30 June 2016, trade payables of US$143.2 million (31 December 2015: US$149.5 million) were aged less than six months; and trade payables of US$31.9 million (31 December 2015: US$11.3million) were aged over six months.

15. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

The Group is controlled by China Minmetals Non-ferrous Metals Company Limited ("CMN") originally through Top Create Resources Limited ("Top Create"), a company incorporated in the British Virgin Islands, which owns 30.65% of the Company's shares, and Album Enterprises Limited ("Album Enterprises"), which owns 43.04% of the Company's shares, both of which are wholly owned subsidiaries of CMN. The remaining 26.31% of the Company's shares are widely held. The Directors consider the ultimate holding company is CMC, a company incorporated in the People's Republic of China ("PRC"), of which CMN is a subsidiary.

The Company was notified by CMC in January 2016 that, pursuant to a conditional sale and purchase agreement dated 31 December 2015 entered into among Album Enterprises Limited and Top Create as vendors and China Minmetals H.K. (Holdings) Limited ("Minmetals HK") as purchaser, each of Album Enterprises and Top Create has agreed to transfer all its shares in the Group to Minmetals HK which is a subsidiary of CMC. The consideration for the share transfer will be settled by Minmetals HK issuing new shares to Album Enterprises and Top Create in proportion to their respective existing shareholdings in MMG. The share transfer is subject to, among other conditions precedent, Minmetals HK obtaining a waiver by the Securities and Futures Commission of Hong Kong of the mandatory general offer obligation of Minmetals HK (and persons acting in concert with it) for the shares of the Company as a result of the share transfer pursuant to Note 6 to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers. Such condition cannot be waived by the parties to the sale and purchase agreement. After the share transfer, Minmetals HK will hold in total approximately 73.69% of the shares of the Company.

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

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

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

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

	SIX MONTHS ENDED 30 JUNE	
	2016 (UNAUDITED) US$ MILLION	2015 (UNAUDITED) US$ MILLION
Revenue		
Sales of non-ferrous metals[(i)]	312.2	159.2
Expenses		
Purchases of consumables	(1.3)	(2.0)
Finance costs		
Finance costs	(48.5)	(41.8)
Borrowing costs capitalised on qualifying assets	43.9	38.3

(i) Included in the revenue for the period ended 30 June 2016 was US$232.9 million (2015: nil) sales of copper concentrate made by Las Bambas to CMC Group during trial run phase. Las Bambas mine was not commissioned for accounting purpose for the period ended 30 June 2016, therefore its sales revenue for the period ended 30 June 2016 was capitalised to Property, plant and equipment in accordance with requirements under HKAS 16.

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

During the period ended 30 June 2016, the Group's transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and the related receivables and payables balances. In addition, a portion of fixed deposits, cash and cash equivalents and borrowings as at 30 June 2016 and the relevant interest earned or paid during the period were transacted with banks and other financial institutions controlled by the PRC Government including China Development Bank Corporation, Bank of China Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China.

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

(c) Significant related party balances

	30 JUNE 2016 (UNAUDITED) US$ MILLION	31 DECEMBER 2015 (AUDITED) US$ MILLION
Amount payable to related parties		
Loan from Top Create(i) (Note 13)	2,261.3	2,261.3
Trade payables to CMN	0.2	0.2
Interest payables to Top Create(i)	151.2	107.4
	2,412.7	**2,368.9**
Amount receivable from a related party		
Trade receivables from CMN	34.7	6.6
	34.7	**6.6**

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

16. CAPITAL COMMITMENTS

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

	30 JUNE 2016 (UNAUDITED) US$ MILLION	31 DECEMBER 2015 (AUDITED) US$ MILLION
Property, plant and equipment		
Not later than one year	329.8	707.4
Later than one year but not later than five years	46.8	-
	376.6	**707.4**

17. CONTINGENCIES

Legal proceedings

The Company and its subsidiaries are defendants in certain legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at reporting date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

Bank guarantees

Certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the reporting period, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities. As at 30 June 2016, these guarantees amount to US$397.6 million (31 December 2015: US$491.2 million).

Contingent assets – tax indemnities

The Group has been granted warranties and indemnities in relation to certain tax matters arising from the previous ownership of the Las Bambas project, i.e. up to 31 July 2014. During the period ended 30 June 2016, the Group sought to enforce those indemnities filing formal claims totalling US$38.2 million (including penalties and interest). These amounts are recorded as Other Receivables, refer to Note 10.

No other litigation has been undertaken in relation to the tax warranties and indemnities by the Group.

Contingent liabilities – tax related contingencies

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

18. ASSETS AND LIABILITIES HELD FOR SALE

The Group continues to classify the Avebury nickel mine, which is on care and maintenance, as held for sale. The Group is in active discussion with several parties interested in acquiring the mine and will continue to facilitate site visits and information sharing.

19. SUBSEQUENT EVENTS

The Company announced on 7 July 2016 the commencement of commercial production of Las Bambas on and from 1 July 2016, which marks the time from which the site will be treated as an operation rather than a project.

On 10 August 2016, one of the Company's subsidiaries in Peru received a resolution from SUNAT (the Peruvian Tax Authority) denying a US$183.1 million Value Added Tax claim arising in the period prior to the Group's ownership of the Las Bambas project, i.e. up to 31 July 2014. The decision of SUNAT may be appealed, and the Group has been granted warranties and indemnities in relation to certain tax matters arising from the previous ownership of the Las Bambas project. On this basis, this amount is not recorded in the condensed consolidated interim statement of financial position.

A number of external parties have made informal approaches about acquiring the Golden Grove operations. The Group is in the process of appointing a financial advisor to commence a formal expression of interest process.

Other than the matters outlined in these condensed consolidated interim financial statements, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

GLOSSARY

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

GLOSSARY CONTINUED

EBITDA margin	EBITDA divided by revenue
Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Operating Officer, Chief Financial Officer, Executive General Manager – Stakeholder Relations and Executive General Manager – Business Support
EXIM	The Export-Import Bank of China
Gearing ratio	net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity
GRI	Global Reporting Initiative
Group	the Company and its subsidiaries
HK$	Hong Kong dollar, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standards (see definition of HKFRS)
HKFRS	Hong Kong Financial Reporting Standards, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)
HKICPA	the Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
ICBC	Industrial and Commercial Bank of China Limited
Laos	the Lao People's Democratic Republic
Las Bambas Joint Venture Company	MMG South America Management Company Limited (also referred to as MMG SAM)
Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
LTI	long-term incentive
LXML	Lane Xang Minerals Limited, a company incorporated on 30 September 1993 in Laos as the holding company for the Sepon operation
Mineral Resource	as defined under the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
Minerals and Metals Group	the collective brand name of the portfolio of international mining assets held by Album Resources
MMG Century	MMG Century Limited, a company incorporated on 25 November 1986 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Dugald River	MMG Dugald River Pty Ltd, a company incorporated on 15 July 1998 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Golden Grove	MMG Golden Grove Pty Ltd, a company incorporated on 21 June 2005 in Australia with limited liability and a wholly owned subsidiary of the Company

MMG Laos Holdings	MMG Laos Holdings Limited, a company incorporated on 25 May 1993 in the Cayman Islands with limited liability and a wholly owned subsidiary of the Company
MMG or MMG Limited	has the same meaning as the Company
MMG Management	MMG Management Pty Ltd, a company incorporated on 15 July 2005 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG SA	MMG South America Company Limited, a company incorporated on 4 May 1990 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG SAM	MMG South America Management Company Limited (also referred to as Las Bambas Joint Venture Company), a company incorporated on 11 February 2014 in Hong Kong with limited liability and a subsidiary of the Company
MMG South America Group	MMG SA and its subsidiaries
MMG South America Management Group	MMG SAM and its subsidiaries
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Mtpa	million tonnes per annum
Ore Reserve	as defined under the JORC Code, the economically mineable part of a Measured and /or Indicated Mineral Resource
PEN	Peruvian Nuevo Sol, the lawful currency of Peru
PRC	the People's Republic of China excluding, for the purpose of this document only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, unless the context requires otherwise
Securities Trading Model Code	a model code adopted by the Company for securities trading by Directors of the Company on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules
Shareholder(s)	the shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Top Create	Top Create Resources Limited, a company incorporated on 22 January 2004 in the British Virgin Islands with limited liability, a wholly owned subsidiary of CMN
TRIF	total recordable injury frequency per million hours worked
US$	United States dollar, the lawful currency of the United States of America
VAT	value added tax

CORPORATE DETAILS

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MMG LIMITED
EXECUTIVE COMMITTEE

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Ross CARROLL, Chief Financial Officer
XU Jiqing, Executive General Manager China and Strategy and Executive Director
Marcelo BASTOS, Chief Operating Officer
Troy HEY, Executive General Manager Stakeholder Relations
Greg TRAVERS, Executive General Manager Business Support

IMPORTANT DATES

20 October 2016 – Third Quarter 2016 Production Report*
6 December 2016 – 2016 Mineral Resources and Ore Reserves Statement*

**This information is subject to change.*

MMG will present its financial results to investors at 2.30pm Hong Kong time at the Mandarin Oriental Hotel, Central, Hong Kong 17 August 2016. This presentation will be available to Shareholders via webcast and teleconference for those who are unable to attend. For details please contact Investor Relations.

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By order of the Board
MMG Limited
Andrew Gordon Michelmore
CEO and Executive Director

Hong Kong, 16 August 2016

As at the date of this announcement, the Board comprises eight directors, of which two are executive directors, namely Mr Andrew Gordon Michelmore and Mr Xu Jiqing; two are non-executive directors, namely Mr Jiao Jian (Chairman) and Mr Gao Xiaoyu; and four are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei.