2020

# ANNUAL REPORT

MMG
WE MINE FOR PROGRESS

A member of:
ICMM
International Council on Mining & Metals
MINING WITH PRINCIPLES

HKEX:1208

# WE MINE FOR PROGRESS

## CONTENTS



**COVER IMAGE:** Operator at Las Bambas mine open-pit.

**IC IMAGE:** Overview of Kinsevere open-pit.

We mine to build wealth through the development of our people, partnering with local communities to drive economic growth and the value we deliver to our shareholders.

We work in complex jurisdictions and across numerous cultures and communities, who have vastly differing experiences with resource development.

A long-term outlook, our pride in mining, our commitment to international standards and our respect for people, land and culture underpin our success.

# CHAIRMAN'S REVIEW

In 2020, the MMG Board approved an updated corporate development strategy, which sets the goal to double and double again MMG's mineral resources, production of our core commodities and enterprise value by 2030.

Dear Shareholders,

I would like to thank you for your long term trust and support of MMG. On behalf of the MMG Board, I am pleased to present our results for the year ended 31 December 2020.

## CONTINUOUS PRODUCTION

2020 was an extraordinary year. The unprecedented outbreak of the COVID-19 pandemic severely harmed the global economy and society and presented serious challenges for the metals and mining industry. MMG strove to overcome these difficulties and achieve a balance between effective control measures and the continuity of our operations. We strictly followed government regulations where we operate and took every effort to protect the safety and health of our employees. At the same time, we operated with optimized protection measures according to the specific needs at our sites. In 2020, we managed to maintain continuous production at all of our mines during the year. MMG adhered to our value of "safety first". The total recordable injury frequency (TRIF) was 1.38 per million hours worked for the year, a 13% decrease compared to 2019. We were proud to deliver such a result under extremely difficult circumstances.

## BUSINESS TRANSFORMATION PROGRAM

In 2020, the MMG Board approved an updated corporate development strategy, which sets the goal to double and double again MMG's mineral resources, production of our core commodities and enterprise value by 2030. To achieve this, MMG has implemented a business transformation program, streamlining its business management structures and processes. We have defined four strategic drivers including China Champion, Business Miner, Delivering Progress and Federation of MMG. MMG aims to improve productivity and maximize asset value in the short term and accelerate growth through focusing on core commodities and increased synergies in the medium to long term.

## GROWTH OUTLOOK

Looking ahead, while the impact of COVID-19 persists, the global economic landscape will remain complicated and challenging, with recovery of the mining industry also facing uncertainties. However, we are confident in our outlook for growth. This confidence comes from our understanding of the industry cycle and our trust in the future development of China and our major shareholder China Minmetals Corporation ("CMC"). China was the only major economy that achieved growth in 2020. China will continue to realise its potential for economic growth. In particular, the fast growth in demand for copper, zinc, nickel and other metals will be supported by the increasing demand for new energy vehicles, investment into new infrastructure, innovative urbanisation initiatives and other projects that are key for national development.

## MAJOR SHAREHOLDER SUPPORT

In 2020, CMC, our major shareholder, delivered all its targets under its 13th Five-Year Plan and successfully completed its goal of "Three Steps and Two Doubles". CMC achieved a record performance result, including operating revenue of RMB701.6 billion which represents 15% year-on-year growth. Under the 14th Five-Year Plan, CMC has committed to a set of goals including operating revenue of over RMB1 trillion, doubling its profit again, optimizing and strengthening its metals and mineral businesses, leveraging its integrated industrial chain, and increasing investments in the industry. This will enable CMC to become a world-class

metals and mining company. MMG forms a key part of this plan and will be provided with strong and reliable support from CMC with more room to grow.

As we work to overcome the COVID-19 pandemic, life will return to normal. We will continue to strive to achieve and move forward on the path to success. We will continue to deliver improvements in our operating results, making valuable contributions to society. This will be supported by economic development, both in China and globally, and we will be guided by our values as we execute on our strategic plans.

I would like to express my gratitude to all shareholders, communities and business partners for their ongoing support and to all our employees for their contribution.

GUO Wenqing
**CHAIRMAN**

**IMAGE:** Truck drivers changing shifts at Las Bambas mine.

**$3,033.7 MILLION**

**IN REVENUE (US$)**

**$1,379.7 MILLION**

**IN EBITDA (US$)**

# CHIEF EXECUTIVE OFFICER'S REPORT

In 2020, we continued to transform our business by placing significant focus on improving operational performance, increasing efficiency and generating greater value from our activities to improve shareholder returns.

Dear Shareholders,

I am pleased to present our 2020 Annual Results.

Thank you for your ongoing support throughout this unprecedented year.

In 2020, we demonstrated our ability to maintain continuous production across our operations while working hard to manage the impact of COVID-19 on our people and communities.

We ended the year in a strong position with increasing metals prices and improving production, including at Las Bambas, where we have been able to return workforce levels close to full capacity.

In 2021 we will continue to advance our objective of generating further value from our existing operations as we look to grow our business.

## SAFETY

The COVID-19 pandemic has had a significant impact on our people, communities and the broader global community as we have all worked to adjust to the disruptions to our daily lives.

I am proud of the efforts made by our people to keep themselves and their families safe. As a Company we have demonstrated our ability to actively and effectively manage the risks presented by this virus. Implementation of strict health and hygiene protocols, backed by a vigorous testing regime, has enabled us to maintain production even in the regions such as Peru where the impact of COVID-19 was particularly significant. While we are encouraged by the progress made in the development and distribution of vaccines globally, the impacts of COVID-19 are likely to present continued challenges in the near team. We remain committed to maintaining a strong focus on managing the risks posed to our people and communities.

In 2020, our total recordable injury frequency (TRIF) was 1.38 per million hours worked which represents a decline of 13% from the 2019 result of 1.58. It is pleasing to see a decline in the overall injury rate and we will continue to direct significant effort towards our goal of eliminating injuries from our workplaces. We continue to prioritise our investigation and learning from events, ensuring that procedures are optimised for the safety of our people.

## OPERATING PERFORMANCE

In 2020, MMG operations produced 384,564 tonnes of copper and 245,097 tonnes of zinc.

Las Bambas produced 311,020 tonnes of copper in 2020, 19% below the 2019 result. This was as a result of the COVID-19 restrictions on workforce availability, unplanned maintenance requirements and community blockades, some of which impacted inbound logistics.

Delays in the permitting and development of the Chalcobamba pit, and the further impacts of COVID-19 on development projects will impact production of copper concentrate in 2021 with an expected range of 310,000 and 330,00 tonnes. The development of Chalcobamba, further investment in mining fleet and the third ball mill is however anticipated to see average annual copper production increase to approximately 400,000 tonnes over the subsequent four years (2022 to 2025, inclusive).

Kinsevere produced 72,007 tonnes of copper cathode in 2020 which represents an increase of 6% on the 2019 result. This result is attributable to the return to mining in the higher-grade Central pit, along with stability in the plant and increased throughput, recovery and ore grades. Following the decision to temporarily suspend mining late in the third quarter ahead of the wet season, ore mining volumes were impacted. However, with significant stockpiles available on site, processing of ore continues. We now expect to resume mining in the second quarter of 2021.

Dugald River delivered record annual production of 177,074 tonnes of zinc in zinc concentrate in 2020. The operation further set annual records for mining volumes, recovery and production of lead and silver by-products. These outstanding results follow a significant effort by the Dugald River team throughout the year to ramp up and optimise the mine and processing plant. The operation is well positioned to deliver on targeted zinc production approaching 200,000 tonnes per year by 2022.

Our Rosebery operation produced 67,393 tonnes of zinc, a result that exceeded our expectations despite being 19% below 2019 levels. The result was largely due to the declining zinc ore grades at depth and lower mining and milling volumes, with access to certain mining areas constrained for much of the year following the seismic events in 2019. While lead production was also 5% lower than the 2019 volumes, production of both gold and silver was higher.

We expect to produce between 360,000 and 390,000 tonnes of copper and 240,000 and 260,000 tonnes of zinc in 2021.

## FINANCIAL PERFORMANCE

The Company delivered an EBITDA result of US$1,379.7 million. Financial performance was impacted by lower zinc prices, the ongoing impact of COVID-19 and community blockades at Las Bambas which impacted sales volumes.

While the first half of 2020 was challenging, our strong management of COVID-19 risks, improved operational and financial performance and a recovery in commodity prices enabled us to deliver a US$93.3 million profit attributable to equity holders in the six months to 31 December 2020. Full year net cashflow from operating activities increased by 19% to US$1,358.2 million, further supporting a reduction in borrowings of US$453.3 million.

## TRANSFORMING OUR BUSINESS

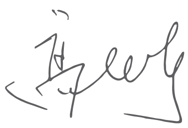
In 2020, we continued to transform our business by placing significant focus on improving operational performance, increasing efficiency and generating greater value from our activities to improve shareholder returns. This business-wide transformation program touched on every area of our operations from our culture through to our daily operating processes. The results of this program have been pleasing with significant strides made in simplifying our business and providing clear accountabilities for performance improvement.

## OUTLOOK

Looking ahead to 2021, we expect that the challenges brought on by the global pandemic will remain in the near term and that the global economic recovery will remain volatile. Nevertheless, our confidence in the outlook for our core commodities is supported by the broader global trends of clean energy, a shift to greater vehicle electrification and increased global economic stimulus which will sustain recent commodity price rises.

MMG is well positioned for growth as we look to the next phase of development at Kinsevere, the potential mine extension at Rosebery and encouraging drilling results from exploration programs around our existing operating hubs.

Finally, thank you to our shareholders, communities, contractors and our people for your continued support.



Geoffrey (Xiaoyu) GAO
**CHIEF EXECUTIVE OFFICER**

# BOARD OF DIRECTORS

Mr GUO Wenqing
Chairman and Non-executive Director

Mr GAO Xiaoyu
Chief Executive Officer and Executive Director

Mr JIAO Jian
Non-executive Director

Mr ZHANG Shuqiang
Non-executive Director

Mr XU Jiqing
Non-executive Director

Dr Peter CASSIDY
Independent Non-executive Director

Mr LEUNG Cheuk Yan
Independent Non-executive Director

Mr CHAN Ka Keung, Peter
Independent Non-executive Director

# EXECUTIVE COMMITTEE

Mr GAO Xiaoyu
Chief Executive Officer

Mr Ross CARROLL
Chief Financial Officer

Mr Troy HEY
Executive General Manager – Corporate Relations

Mr WEI Jianxian
Executive General Manager – Americas

Mr LI Liangang
Executive General Manager – Australia and Commercial

# MINERAL RESOURCES AND ORE RESERVES

## EXECUTIVE SUMMARY

Mineral Resources and Ore Reserves for MMG have been estimated as at 30 June 2020 and are reported in accordance with the guidelines in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (2012 JORC Code) and Chapter 18 of the Listing Rules. Mineral Resources and Ore Reserves tables are provided on pages 8 to 12, which include the 30 June 2020 and 30 June 2019 estimates for comparison. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources that have been converted to Ore Reserves. All supporting data are provided within the Technical Appendix, available on the MMG website.

Mineral Resources and Ore Reserves information in this statement have been compiled by Competent Persons (as defined by the 2012 JORC Code). Each Competent Person consents to the inclusion of the information in this report, that they have provided in the form and context in which it appears. Competent Persons are listed on page 13.

MMG has established processes and structures for the governance of Mineral Resources and Ore Reserves estimation and reporting. MMG has a Mineral Resources and Ore Reserves Committee that regularly convenes to assist the MMG Governance and Nomination Committee and the Board of Directors with respect to the reporting practices of the Company in relation to Mineral Resources and Ore Reserves, and the quality and integrity of these reports of the Group.

Key changes to the Mineral Resources (contained metal) since the 30 June 2019 estimate relate to depletion at all sites together with increased costs, decrease in copper metal price assumption and changes to the deposit model at Las Bambas. Improvements to the geological model at Las Bambas resulting from improved orebody knowledge, have contributed to the model changes. This has been partially offset by increases at Kinsevere, at satellite deposits to Kinsevere and the south-west extension of Chalcobamba at Las Bambas. In the DRC, Mineral Resources have been declared for copper and cobalt at Mwepu, a new satellite copper deposit. At Dugald River, a net increase has resulted from the discovery of new thick and high-grade zones of zinc mineralisation not previously known within the deposit. This has more than replaced the last 12 months depletion.

Key changes to the Ore Reserves (contained metal) since the 30 June 2019 estimate are mostly related to depletion.[1] A necessary model change combined with increased costs and mine design changes at Las Bambas have also contributed. Increased metal price assumptions and stockpile reclassification have partially offset the depletion at Kinsevere. Rosebery Ore Reserves have materially increased by 50% (tonnage) as a result of mining and future tailings storage studies.

Pages 14 to 15 provide further discussion of the Mineral Resources and Ore Reserves changes.

1. Depletion in this report refers to material processed by the mill and depleted from the Mineral Resources and Ore Reserves through mining and processing.

# MINERAL RESOURCES AND ORE RESERVES CONTINUED

## MINERAL RESOURCES[2]

All data reported here is on a 100% asset basis, with MMG's attributable interest shown against each asset within brackets.

| DEPOSIT | 2020 TONNES (MT) | 2020 CU (%) | 2020 ZN (%) | 2020 PB (%) | 2020 AG (G/T) | 2020 AU (G/T) | 2020 MO (PPM) | 2020 CO (%) | 2019 TONNES (MT) | 2019 CU (%) | 2019 ZN (%) | 2019 PB (%) | 2019 AG (G/T) | 2019 AU (G/T) | 2019 MO (PPM) | 2019 CO (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **LAS BAMBAS (62.5%)** | | | | | | | | | | | | | | | | |
| **Ferrobamba Oxide Copper** | | | | | | | | | | | | | | | | |
| Indicated | 0.8 | 1.9 | | | | | | | 2.1 | 1.7 | | | | | | |
| Inferred | 0.1 | 1.8 | | | | | | | 1.3 | 1.8 | | | | | | |
| **Total** | **0.9** | **1.9** | | | | | | | **3.4** | **1.7** | | | | | | |
| **Ferrobamba Primary Copper** | | | | | | | | | | | | | | | | |
| Measured | 462 | 0.61 | | | 2.6 | 0.05 | 229 | | 553 | 0.56 | | | 2.4 | 0.05 | 202 | |
| Indicated | 264 | 0.72 | | | 3.2 | 0.07 | 201 | | 465 | 0.58 | | | 2.5 | 0.05 | 166 | |
| Inferred | 115 | 0.61 | | | 2.1 | 0.04 | 97 | | 239 | 0.61 | | | 1.3 | 0.03 | 79 | |
| **Total** | **840** | **0.64** | | | **2.7** | **0.05** | **202** | | **1,257** | **0.57** | | | **2.2** | **0.04** | **166** | |
| **Ferrobamba Total** | **841** | | | | | | | | **1,261** | | | | | | | |
| **Chalcobamba Oxide Copper** | | | | | | | | | | | | | | | | |
| Indicated | 5.6 | 1.4 | | | | | | | 6.5 | 1.4 | | | | | | |
| Inferred | 0.5 | 1.6 | | | | | | | 0.5 | 1.5 | | | | | | |
| **Total** | **6.1** | **1.4** | | | | | | | **7.0** | **1.4** | | | | | | |
| **Chalcobamba Primary Copper** | | | | | | | | | | | | | | | | |
| Measured | 128 | 0.45 | | | 1.3 | 0.02 | 161 | | 113 | 0.44 | | | 1.4 | 0.02 | 153 | |
| Indicated | 206 | 0.65 | | | 2.4 | 0.03 | 128 | | 174 | 0.63 | | | 2.4 | 0.03 | 131 | |
| Inferred | 39 | 0.61 | | | 2.2 | 0.03 | 115 | | 38 | 0.51 | | | 1.8 | 0.02 | 115 | |
| **Total** | **373** | **0.58** | | | **2.0** | **0.03** | **138** | | **325** | **0.55** | | | **2** | **0.02** | **137** | |
| **Chalcobamba Total** | **379** | | | | | | | | **332** | | | | | | | |
| **Sulfobamba Primary Copper** | | | | | | | | | | | | | | | | |
| Indicated | 87 | 0.66 | | | 4.6 | 0.02 | 169 | | 98 | 0.5 | | | 5.2 | 0.02 | 119 | |
| Inferred | 102 | 0.58 | | | 6.4 | 0.02 | 119 | | 133 | 0.55 | | | 4.8 | 0.02 | 138 | |
| **Total** | **189** | **0.62** | | | **5.6** | **0.02** | **142** | | **230** | **0.55** | | | **4.8** | **0.02** | **138** | |
| **Sulfobamba Total** | **189** | | | | | | | | **230** | | | | | | | |
| **Oxide Copper Stockpile** | | | | | | | | | | | | | | | | |
| Indicated | 12.1 | 1.2 | | | | | | | 11.4 | 1.2 | | | | | | |
| **Total** | **12.1** | **1.2** | | | | | | | **11.4** | **1.2** | | | | | | |
| **Sulphide Stockpile** | | | | | | | | | | | | | | | | |
| Measured | 8.1 | 0.40 | | | 1.8 | | 135 | | 9.0 | 0.46 | | | 2.3 | | 151 | |
| **Total** | **8.1** | **0.40** | | | **1.8** | | **135** | | **9.0** | **0.46** | | | **2.3** | | **151** | |
| **Las Bambas Total** | **1,429** | | | | | | | | **1,844** | | | | | | | |

2. S.I. units used for metals of value; Cu=copper, Zn=zinc, Pb=lead, Ag=silver, Au=gold, Mo=molybdenum, Co=cobalt.

## MINERAL RESOURCES[3]

| | 2020 | | | | | | | | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DEPOSIT | TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) | CO (%) | TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) | CO (%) |
| **KINSEVERE (100%)** | | | | | | | | | | | | | | | | |
| **Oxide Copper** | | | | | | | | | | | | | | | | |
| Measured | 1.5 | 3.2 | | | | | | 0.10 | 1.4 | 4.2 | | | | | | 0.17 |
| Indicated | 6.1 | 2.8 | | | | | | 0.09 | 7.2 | 3.3 | | | | | | 0.08 |
| Inferred | 2.2 | 2.2 | | | | | | 0.07 | 0.9 | 2.4 | | | | | | 0.09 |
| **Total** | **9.8** | **2.7** | | | | | | **0.09** | **9.5** | **3.3** | | | | | | **0.10** |
| **Transition Mixed Copper Ore** | | | | | | | | | | | | | | | | |
| Measured | 0.9 | 2.1 | | | | | | 0.17 | 0.5 | 2.5 | | | | | | 0.14 |
| Indicated | 2.3 | 2.1 | | | | | | 0.12 | 2.0 | 2.0 | | | | | | 0.09 |
| Inferred | 1.1 | 1.6 | | | | | | 0.08 | 0.3 | 1.9 | | | | | | 0.15 |
| **Total** | **4.3** | **2.0** | | | | | | **0.12** | **2.8** | **2.1** | | | | | | **0.28** |
| **Primary Copper** | | | | | | | | | | | | | | | | |
| Measured | 1.5 | 2.6 | | | | | | 0.25 | 1.2 | 2.8 | | | | | | 0.28 |
| Indicated | 18.7 | 2.3 | | | | | | 0.11 | 19.5 | 2.3 | | | | | | 0.13 |
| Inferred | 9.0 | 1.8 | | | | | | 0.08 | 2.4 | 1.9 | | | | | | 0.12 |
| **Total** | **29.3** | **2.1** | | | | | | **0.10** | **23.2** | **2.3** | | | | | | **0.14** |
| **Oxide-TMO Cobalt** | | | | | | | | | | | | | | | | |
| Measured | 0.03 | 0.49 | | | | | | 0.29 | 0.03 | 0.38 | | | | | | 0.61 |
| Indicated | 0.18 | 0.33 | | | | | | 0.32 | 0.25 | 0.31 | | | | | | 0.59 |
| Inferred | 1.0 | 0.23 | | | | | | 0.32 | 0.13 | 0.13 | | | | | | 0.56 |
| **Total** | **1.2** | **0.25** | | | | | | **0.32** | **0.40** | **0.30** | | | | | | **0.58** |
| **Primary Cobalt** | | | | | | | | | | | | | | | | |
| Measured | 0.02 | 0.55 | | | | | | 0.20 | 0.01 | 0.48 | | | | | | 0.33 |
| Indicated | 0.15 | 0.57 | | | | | | 0.20 | 0.20 | 0.44 | | | | | | 0.31 |
| Inferred | 0.16 | 0.34 | | | | | | 0.25 | 0.11 | 0.32 | | | | | | 0.29 |
| **Total** | **0.34** | **0.45** | | | | | | **0.22** | **0.32** | **0.40** | | | | | | **0.30** |
| **Stockpiles** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 15.5 | 1.6 | | | | | | | 12.9 | 1.8 | | | | | | |
| **Total** | **15.5** | **1.6** | | | | | | | **12.9** | **1.8** | | | | | | |
| **Kinsevere Total** | **60.4** | **2.0** | | | | | | | **49.2** | **2.3** | | | | | | |

3. S.I. units used for metals of value; Cu=copper, Zn=zinc, Pb=lead, Ag=silver, Au=gold, Mo=molybdenum, Co=cobalt.

# MINERAL RESOURCES AND ORE RESERVES CONTINUED

## MINERAL RESOURCES[4]

| DEPOSIT | 2020 TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) | CO (%) | 2019 TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) | CO (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **SOKOROSHE 2 (100%)** | | | | | | | | | | | | | | | | |
| **Oxide Copper** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 1.9 | 2.3 | | | | | | 0.33 | 0.81 | 3.5 | | | | | | 0.28 |
| Inferred | | | | | | | | | 0.11 | 1.9 | | | | | | 0.11 |
| **Total** | **1.9** | **2.3** | | | | | | **0.33** | **0.93** | **3.3** | | | | | | **0.26** |
| **Primary Copper** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | | | | | | | | | | | | | | | | |
| Inferred | 0.83 | 1.8 | | | | | | 0.51 | | | | | | | | |
| **Total** | **0.83** | **1.8** | | | | | | **0.51** | | | | | | | | |
| **Oxide Cobalt** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 0.37 | 0.56 | | | | | | 1.03 | | | | | | | | |
| Inferred | | | | | | | | | | | | | | | | |
| **Total** | **0.37** | **0.56** | | | | | | **1.03** | | | | | | | | |
| **Primary Cobalt** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | | | | | | | | | | | | | | | | |
| Inferred | 0.10 | 0.25 | | | | | | 0.36 | | | | | | | | |
| **Total** | **0.10** | **0.25** | | | | | | **0.36** | | | | | | | | |
| **Sokoroshe 2 Total** | **3.2** | **1.9** | | | | | | **0.46** | **0.93** | **3.3** | | | | | | **0.26** |
| **NAMBULWA (100%)** | | | | | | | | | | | | | | | | |
| **Oxide Copper** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 1.0 | 2.3 | | | | | | 0.12 | | | | | | | | |
| Inferred | 0.1 | 1.9 | | | | | | 0.07 | 0.9 | 2.3 | | | | | | 0.11 |
| **Total** | **1.1** | **2.3** | | | | | | **0.11** | **0.9** | **2.3** | | | | | | **0.11** |
| **Oxide Cobalt** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 0.04 | 0.08 | | | | | | 0.40 | | | | | | | | |
| Inferred | | | | | | | | | | | | | | | | |
| **Total** | **0.04** | **0.08** | | | | | | **0.40** | | | | | | | | |
| **Nambulwa Total** | **1.1** | **2.2** | | | | | | **0.12** | **0.9** | **2.3** | | | | | | **0.11** |
| **DZ (100%)** | | | | | | | | | | | | | | | | |
| **Oxide Copper** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 0.78 | 2.0 | | | | | | 0.12 | | | | | | | | |
| Inferred | 0.04 | 2.0 | | | | | | 0.13 | 0.5 | 1.9 | | | | | | 0.16 |
| **Total** | **0.82** | **2.0** | | | | | | **0.12** | **0.5** | **1.9** | | | | | | **0.16** |
| **Oxide Cobalt** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 0.07 | 0.34 | | | | | | 0.39 | | | | | | | | |
| Inferred | 0.00 | 0.63 | | | | | | 0.51 | | | | | | | | |
| **Total** | **0.07** | **0.34** | | | | | | **0.39** | | | | | | | | |
| **DZ Total** | **0.9** | **1.9** | | | | | | **0.15** | **0.5** | **1.9** | | | | | | **0.16** |

4. S.I. units used for metals of value; Cu=copper, Zn=zinc, Pb=lead, Ag=silver, Au=gold, Mo=molybdenum, Co=cobalt.

## MINERAL RESOURCES[5]

| | 2020 | | | | | | | | 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DEPOSIT | TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) | CO (%) | TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) | CO (%) |
| **MWEPU (100%)** | | | | | | | | | | | | | | | | |
| **Oxide Copper** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 0.95 | 2.3 | | | | | | 0.17 | | | | | | | | |
| Inferred | 0.63 | 2.3 | | | | | | 0.27 | | | | | | | | |
| **Total** | **1.58** | **2.3** | | | | | | **0.21** | | | | | | | | |
| **Oxide Cobalt** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 0.08 | 0.61 | | | | | | 0.45 | | | | | | | | |
| Inferred | 0.22 | 0.44 | | | | | | 0.47 | | | | | | | | |
| **Total** | **0.30** | **0.49** | | | | | | **0.46** | | | | | | | | |
| **Mwepu Total** | **1.9** | | | | | | | | | | | | | | | |
| **DUGALD RIVER (100%)** | | | | | | | | | | | | | | | | |
| **Primary Zinc** | | | | | | | | | | | | | | | | |
| Measured | 13.5 | | 13.2 | 2.3 | 74 | | | | 12.9 | | 13.1 | 2.3 | 69 | | | |
| Indicated | 19.8 | | 11.5 | 1.2 | 21 | | | | 20.9 | | 12.3 | 1.6 | 23 | | | |
| Inferred | 34.3 | | 11.0 | 0.8 | 9 | | | | 25.5 | | 11.7 | 1.2 | 7 | | | |
| **Total** | **67.6** | | **11.6** | **1.2** | **26** | | | | **59.3** | | **12.2** | **1.6** | **26** | | | |
| **Primary Copper** | | | | | | | | | | | | | | | | |
| Inferred | 19.2 | 1.4 | | | | 0.1 | | | 8.7 | 1.6 | | | | 0.2 | | |
| **Total** | **19.2** | **1.4** | | | | **0.06** | | | **8.7** | **1.6** | | | | **0.2** | | |
| **Dugald River Total** | **86.8** | | | | | | | | **68.0** | | | | | | | |
| **ROSEBERY (100%)** | | | | | | | | | | | | | | | | |
| **Rosebery** | | | | | | | | | | | | | | | | |
| Measured | 6.7 | 0.19 | 8.0 | 3.0 | 131 | 1.5 | | | 6.1 | 0.20 | 8.3 | 2.9 | 109 | 1.3 | | |
| Indicated | 2.1 | 0.15 | 6.6 | 2.0 | 98 | 1.1 | | | 3.1 | 0.18 | 7.0 | 2.4 | 92 | 1.3 | | |
| Inferred | 6.7 | 0.26 | 9.2 | 3.0 | 109 | 1.5 | | | 7.3 | 0.33 | 8.9 | 3.1 | 100 | 1.5 | | |
| **Total** | **15.5** | **0.21** | **8.3** | **2.9** | **117** | **1.4** | | | **16.6** | **0.26** | **8.3** | **2.9** | **102** | **1.4** | | |
| **Rosebery Total** | **15.5** | | | | | | | | **16.6** | | | | | | | |
| **HIGH LAKE (100%)** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 7.9 | 3.0 | 3.5 | 0.3 | 83 | 1.3 | | | 7.9 | 3.0 | 3.5 | 0.3 | 83 | 1.3 | | |
| Inferred | 6.0 | 1.8 | 4.3 | 0.4 | 84 | 1.3 | | | 6.0 | 1.8 | 4.3 | 0.4 | 84 | 1.3 | | |
| **Total** | **14.0** | **2.5** | **3.8** | **0.4** | **84** | **1.3** | | | **14.0** | **2.5** | **3.8** | **0.4** | **84** | **1.3** | | |
| **IZOK LAKE (100%)** | | | | | | | | | | | | | | | | |
| Measured | | | | | | | | | | | | | | | | |
| Indicated | 13.5 | 2.4 | 13 | 1.4 | 73 | 0.18 | | | 13.5 | 2.4 | 13.3 | 1.4 | 73 | 0.18 | | |
| Inferred | 1.2 | 1.5 | 11 | 1.3 | 73 | 0.21 | | | 1.2 | 1.5 | 10.5 | 1.3 | 73 | 0.21 | | |
| **Total** | **14.6** | **2.3** | **13** | **1.4** | **73** | **0.18** | | | **14.6** | **2.3** | **13.1** | **1.4** | **73** | **0.18** | | |

5. S.I. units used for metals of value; Cu=copper, Zn=zinc, Pb=lead, Ag=silver, Au=gold, Mo=molybdenum, Co=cobalt.

# MINERAL RESOURCES AND ORE RESERVES CONTINUED

## ORE RESERVES[6]

All data reported here is on a 100% asset basis, with MMG's attributable interest shown against each asset within brackets.

| ORE RESERVES | 2020 | | | | | | | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| DEPOSIT | TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) | TONNES (MT) | CU (%) | ZN (%) | PB (%) | AG (G/T) | AU (G/T) | MO (PPM) |
| **LAS BAMBAS (62.5%)** | | | | | | | | | | | | | | |
| **Ferrobamba Primary Copper** | | | | | | | | | | | | | | |
| Proved | 422 | 0.61 | | | 2.6 | 0.05 | 223 | 487 | 0.59 | | | 2.5 | 0.05 | 205 |
| Probable | 166 | 0.74 | | | 3.4 | 0.07 | 189 | 295 | 0.65 | | | 2.9 | 0.06 | 172 |
| **Total** | **587** | **0.64** | | | **2.8** | **0.06** | **214** | **783** | **0.61** | | | **2.7** | **0.05** | **192** |
| **Chalcobamba Primary Copper** | | | | | | | | | | | | | | |
| Proved | 81 | 0.51 | | | 1.6 | 0.02 | 156 | 73 | 0.52 | | | 1.7 | 0.02 | 161 |
| Probable | 126 | 0.72 | | | 2.8 | 0.04 | 123 | 122 | 0.71 | | | 2.7 | 0.03 | 128 |
| **Total** | **207** | **0.64** | | | **2.3** | **0.03** | **136** | **195** | **0.64** | | | **2.4** | **0.03** | **141** |
| **Sulfobamba Primary Copper** | | | | | | | | | | | | | | |
| Proved | | | | | | | | | | | | | | |
| Probable | 64 | 0.76 | | | 5.5 | 0.03 | 163 | 69 | 0.73 | | | 5.2 | 0.03 | 164 |
| **Total** | **64** | **0.76** | | | **5.5** | **0.03** | **163** | **69** | **0.73** | | | **5.2** | **0.03** | **164** |
| **Primary Copper Stockpiles** | | | | | | | | | | | | | | |
| Proved | 8.1 | 0.40 | | | 1.8 | | 135 | 8.98 | 0.46 | | | 2.3 | | 151 |
| **Total** | **8.1** | **0.40** | | | **1.8** | | **135** | **8.98** | **0.46** | | | **2.3** | | **151** |
| **Las Bambas Total** | **867** | **0.65** | | | **2.9** | | **191** | **1,056** | **0.62** | | | **2.8** | | **181** |
| **KINSEVERE (100%)** | | | | | | | | | | | | | | |
| **Oxide Copper** | | | | | | | | | | | | | | |
| Proved | 0.8 | 3.5 | | | | | | 1.0 | 4.2 | | | | | |
| Probable | 1.7 | 3.2 | | | | | | 4.3 | 3.2 | | | | | |
| **Total** | **2.4** | **3.3** | | | | | | **5.3** | **3.4** | | | | | |
| **Stockpiles** | | | | | | | | | | | | | | |
| Proved | | | | | | | | | | | | | | |
| Probable | 9.3 | 2.1 | | | | | | 6.6 | 1.9 | | | | | |
| **Total** | **9.3** | **2.1** | | | | | | **6.6** | **1.9** | | | | | |
| **Kinsevere Total** | **11.8** | **2.3** | | | | | | **11.9** | **2.6** | | | | | |
| **DUGALD RIVER (100%)** | | | | | | | | | | | | | | |
| **Primary Zinc** | | | | | | | | | | | | | | |
| Proved | 10.9 | | 10.8 | 2.0 | 64 | | | 11.8 | | 10.9 | 2.0 | 57 | | |
| Probable | 14.5 | | 10.1 | 1.2 | 20 | | | 14.1 | | 11.1 | 1.5 | 18 | | |
| **Total** | **25.4** | | **10.4** | **1.5** | **39** | | | **25.9** | | **11.0** | **1.7** | **36** | | |
| **Dugald River Total** | **25.4** | | **10.4** | **1.5** | **39** | | | **25.9** | | **11.0** | **1.7** | **36** | | |
| **ROSEBERY (100%)** | | | | | | | | | | | | | | |
| Proved | 6.1 | 0.18 | 7.0 | 2.7 | 121 | 1.4 | | 3.6 | 0.20 | 7.4 | 2.7 | 107 | 1.3 | |
| Probable | 1.1 | 0.18 | 6.1 | 2.0 | 100 | 1.1 | | 1.1 | 0.20 | 6.9 | 2.5 | 95 | 1.3 | |
| **Total** | **7.2** | **0.18** | **6.9** | **2.6** | **118** | **1.3** | | **4.7** | **0.20** | **7.3** | **2.7** | **104** | **1.3** | |
| **Rosebery Total** | **7.2** | **0.18** | **6.9** | **2.6** | **118** | **1.3** | | **4.7** | **0.20** | **7.3** | **2.7** | **104** | **1.3** | |

6. S.I. units used for metals of value; Cu=copper, Zn=zinc, Pb=lead, Ag=silver, Au=gold, Mo=molybdenum.

## COMPETENT PERSONS

**Table 1: Competent Persons for Mineral Resources, Ore Reserves and Corporate**

| DEPOSIT | ACCOUNTABILITY | COMPETENT PERSON | PROFESSIONAL MEMBERSHIP | EMPLOYER |
|---|---|---|---|---|
| MMG Mineral Resources and Ore Reserves Committee | Mineral Resources | Rex Berthelsen[7] | HonFAusIMM(CP) | MMG |
| MMG Mineral Resources and Ore Reserves Committee | Ore Reserves | Neil Colbourne[7] | MAusIMM | MMG |
| MMG Mineral Resources and Ore Reserves Committee | Metallurgy: Mineral Resources / Ore Reserves | Amy Lamb[7] | MAusIMM(CP) | MMG |
| Las Bambas | Mineral Resources | Rex Berthelsen[7] | HonFAusIMM(CP) | MMG |
| Las Bambas | Ore Reserves | Yao Wu[7] | MAusIMM(CP) | MMG |
| Kinsevere | Mineral Resources | Douglas Corley | MAIG R.P.Geo. | Mining One Pty Ltd |
| Kinsevere | Ore Reserves | Dean Basile | MAusIMM(CP) | Mining One Pty Ltd |
| Rosebery | Mineral Resources | Douglas Corley | MAIG R.P.Geo | Mining One Pty Ltd |
| Rosebery | Ore Reserves | Karel Steyn | MAusIMM | STEKA Mining Consultants Pty Ltd |
| Dugald River | Mineral Resources | Douglas Corley | MAIG R.P.Geo. | Mining One Pty Ltd |
| Dugald River | Ore Reserves | Karel Steyn | MAusIMM | STEKA Mining Consultants Pty Ltd |
| High Lake, Izok Lake | Mineral Resources | Allan Armitage[8] | MAPEG (P.Geo) | Formerly MMG |

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by the listed Competent Persons, who are Members or Fellows of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG) or a Recognised Professional Organisation (RPO) and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Each of the Competent Persons has given consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

7. Participants in the MMG Long-Term Incentive Plans which may include Mineral Resources and Ore Reserves growth as a performance condition.
8. Member of the Association of Professional Engineers and Geoscientists of British Columbia.

# MINERAL RESOURCES AND ORE RESERVES CONTINUED

## SUMMARY OF SIGNIFICANT CHANGES

### MINERAL RESOURCES

Mineral Resources as at 30 June 2020 have changed, since the 30 June 2019 estimate, for several reasons with the most significant changes outlined in this section.

Mineral Resources (contained metal) have increased for zinc (5%) and cobalt (35%); and have decreased for copper (11%), lead (10%), gold (9%), silver (2%) and molybdenum (13%). Variations to Mineral Resources (contained metal) on an individual site basis are discussed below:

*Increases:*

The increases in Mineral Resources (contained metal) are due to:

– continued drilling and improvements in geological modelling that have resulted in the discovery of previously unrecognised, thick and high-grade zones within the main Dugald River zinc orebody. Mineral Resources (contained zinc metal) have increased by 600kt (8%) at Dugald River as a result;
– discovery of the Chalcobamba South West zone which has added approximately 350kt copper to the Las Bambas copper Mineral Resource inventory;
– more than doubling (130%) copper Mineral Resources (contained metal) combined at the DRC Satellite deposits being Sokoroshe II, Nambulwa, DZ and Mwepu (maiden Report) for an additional 80kt copper metal;
– Cobalt metal Mineral Resources have increased by a further 18kt contained from the discovery and delineation of a new lens at Sokoroshe and the addition of the Mwepu deposit for the first time; and
– At Kinsevere contained copper Mineral Resource has increased by 100kt resulting from the updating of the geological model resulting in additional mixed and sulphide material.

*Decreases:*

The decreases in Mineral Resources (contained metal) are due to:

– depletion at all producing operations; and
– factors relevant to Las Bambas which have reduced copper Mineral Resources by 1,583kt (contained metal). The reasons comprise modelling changes (30%) after realised negative mine to mill reconciliation and improved geological model from further developing orebody knowledge , negative economic factors such as decreased metal price assumptions, increased costs and cut off grades (40%) and milled depletion (30%).

Mineral Resources at Rosebery have not materially changed from 2019.

### ORE RESERVES

Ore Reserves as at 30 June 2020 (contained metal) have increased for lead (2%); and have decreased for copper (14%), zinc (2%), silver (0.3%), molybdenum (13%) and gold (8%).

Variations to Ore Reserves (contained metal) on an individual site basis are discussed below:

*Increases:*

Ore Reserves at Rosebery for zinc (44%), lead (48%), silver (72%), gold (52%) and copper (38%) have been realised due to the completion of drilling and mining studies to re-enter previously mined areas including P lens and conversion from Mineral Resources in lower mine lenses such as X, W and Y. These extensions to the Ore Reserve have been enabled by positive study results into additional tailings storage beyond the current built capacity.

*Decreases:*

Decreases in Ore Reserves (metal) for copper, zinc, lead, silver and gold are due to:

- depletion at all producing operations;
- a further reduction of copper (14%) at Las Bambas due to negative mine to mill reconciliation necessitating estimation model changes and changed economic parameters such as costs and pit design parameters;
- a further reduction of copper (11%) at Kinsevere, due to changes in mining dilution and ore loss assumptions, partially offset by an increase in copper metal price assumption; and
- a further reduction of zinc (8%) and lead (12%) at Dugald River, due to lower modelled grades;

## KEY ASSUMPTIONS

### PRICES AND EXCHANGE RATES

The following price and foreign exchange assumptions, set according to the relevant MMG Standard as at October 2020, have been applied to all Mineral Resources and Ore Reserves estimates. Price assumptions for all metals have changed from the 2019 Mineral Resources and Ore Reserves statement.

**Table 2: 2020 Price (real) and foreign exchange assumptions**

| | ORE RESERVES | MINERAL RESOURCES |
|---|---|---|
| Cu (US$/lb) | 3.24 | 3.62 |
| Zn (US$/lb) | 1.24 | 1.39 |
| Pb (US$/lb) | 0.93 | 1.11 |
| Au US$/oz | 1,392 | 1,736 |
| Ag US$/oz | 18.13 | 21.70 |
| Mo (US$/lb) | 10.08 | 11.90 |
| Co (US$/lb) | 23.70 | 25.79 |
| USD:CAD | 1.29 | As per Ore Reserves |
| AUD:USD | 0.75 | |
| USD:PEN | 3.18 | |

# MINERAL RESOURCES AND ORE RESERVES CONTINUED

## CUT-OFF GRADES

Mineral Resources and Ore Reserves cut-off values are shown in Table 3 and Table 4, respectively.

**Table 3: Mineral Resources cut-off grades**

| SITE | MINERALISATION | LIKELY MINING METHOD[9] | CUT-OFF VALUE | COMMENTS |
|---|---|---|---|---|
| Las Bambas | Oxide copper | OP | 1% Cu[10] | Cut-off is applied as a range that varies for each deposit and mineralised rock type at Las Bambas. In-situ copper Mineral Resources constrained within US$3.62/lb Cu and US$11.90/lb Mo pit shell. |
| | Primary copper Ferrobamba | | 0.16% Cu[10] (average) | |
| | Primary copper Chalcobamba | | 0.20% Cu[10] (average) | |
| | Primary copper Sulfobamba | | 0.20% Cu[10] (average) | |
| Kinsevere | Oxide copper & stockpiles | OP | 0.6% CuAS[11] | *In-situ* copper Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell. |
| | Transition mixed ore copper (TMO) | OP | 0.7% Cu[10] | |
| | Primary copper | OP | 0.7% Cu[10] | |
| | Oxide TMO Cobalt | OP | 0.2% Co[12] | *In-situ* cobalt Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell, but exclusive of copper mineralisation. |
| | Primary cobalt | OP | 0.1% Co[12] | |
| Sokoroshe II | Oxide and TMO Copper | OP | 0.9% Cu[10] | *In-situ* copper Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell. |
| | Primary copper | OP | 0.8% Cu[10] | |
| | Oxide TMO cobalt | OP | 0.3% Co[12] | *In-situ* cobalt Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell, but exclusive of copper mineralisation. |
| | Primary cobalt | OP | 0.2% Co[12] | |
| Nambulwa / DZ | Oxide copper | OP | 0.9% Cu[10] | *In-situ* copper Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell. |
| | Oxide cobalt | OP | 0.3% Co[12] | *In-situ* cobalt Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell, but exclusive of copper mineralisation. |
| Mwepu | Oxide and TMO copper | OP | 1.1% Cu[10] | *In-situ* copper Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell. |
| | Oxide cobalt | OP | 0.3% Co[12] | *In-situ* cobalt Mineral Resources constrained within a US$3.62/lb Cu and US$25.79/lb Co pit shell, but exclusive of copper mineralisation. |
| Rosebery | Rosebery (Zn, Cu, Pb, Au, Ag) | UG | A$172/t NSR[13] | All areas of the mine are reported using the same NSR cut off value. |
| Dugald River | Primary zinc (Zn, Pb, Ag) | UG | A$141/t NSR[13] | All areas of the mine are reported using the same NSR cut off value. |
| | Primary copper | UG | 1% Cu[10] | |
| High Lake | Cu, Zn, Pb, Ag, Au | OP | 2.0% CuEq[14] | CuEq[6] = Cu + (Zn×0.30) + (Pb×0.33) + (Au×0.56) + (Ag×0.01): based on Long-Term prices and metal recoveries at Au:75%, Ag:83%, Cu:89%, Pb:81% and Zn:93%. |
| | Cu, Zn, Pb, Ag, Au | UG | 4.0% CuEq[14] | CuEq[6] = Cu + (Zn×0.30) + (Pb×0.33) + (Au×0.56) + (Ag×0.01): based on Long-Term prices and metal recoveries at Au:75%, Ag:83%, Cu:89%, Pb:81% and Zn:93%. |
| Izok Lake | Cu, Zn, Pb, Ag, Au | OP | 4.0% ZnEq[15] | ZnEq[7] = Zn + (Cu×3.31) + (Pb×1.09) + (Au×1.87) + (Ag×0.033); prices and metal recoveries as per High Lake. |

9. OP = Open Pit, UG = Underground
10. Cu = Total copper
11. CuAS = Acid soluble copper
12. Co = Total cobalt
13. NSR = Net Smelter Return
14. CuEq = Copper equivalent
15. ZnEq = Zinc equivalent

**Table 4 : Ore Reserves cut-off grades**

| SITE | MINERALISATION | MINING METHOD | CUT-OFF VALUE | COMMENTS |
|---|---|---|---|---|
| Las Bambas | Primary copper Ferrobamba | OP | 0.18% Cu[16] (average)[17] | Range based on rock type recovery. |
| | Primary copper Chalcobamba | | 0.22% Cu[16] (average)[18] | |
| | Primary copper Sulfobamba | | 0.23% Cu[16] (average)[19] | |
| Kinsevere | Copper oxide | OP | 1.2% CuAS[20] | Approximate cut-off grades shown in this table for ex-pit material. Variable cut-off grade based on net value script. |
| | | OP | 0.8% CuAS[19] | For existing stockpiles reclaim. |
| Rosebery | (Zn, Cu, Pb, Au, Ag) | UG | A$172/t NSR[21] | |
| Dugald River | Primary zinc | UG | A$141/t NSR (average)[21] | |

## PROCESSING RECOVERIES

Average processing recoveries are shown in Table 5. More detailed processing recovery relationships are provided in the Technical Appendix.

**Table 5: Processing Recoveries**

| | | RECOVERY | | | | | | CONCENTRATE |
|---|---|---|---|---|---|---|---|---|
| SITE | PRODUCT | CU | ZN | PB | AG | AU | MO | MOISTURE ASSUMPTIONS |
| Las Bambas | Copper Concentrate | 86% | - | - | 75% | 71% | | 10% |
| | Molybdenum Concentrate | | | | | | 55% | 5% |
| Rosebery | Zinc Concentrate | | 85% | | | | | 8% |
| | Lead Concentrate | | 7.6% | 74% | 36% | 16% | | 7% |
| | Copper Concentrate | 64% | | | 42% | 40% | | 8% |
| | Doré[22] (gold and silver) | | | | 0.2% | 23% | | |
| Dugald River | Zinc Concentrate | – | 88% | | 19% | – | | 10.5% |
| | Lead Concentrate | – | | 67% | 38% | – | | 10.5% |
| Kinsevere | Copper Cathode | 76% (96% CuAS[23]) | – | – | – | – | | – |

The Technical Appendix published on the MMG website contains additional Mineral Resources and Ore Reserves information (including the Table 1 disclosure).

16. Cu = Total copper
17. Range from 0.18 to 0.21% Cu
18. Range from 0.21 to 0.30% Cu
19. Range from 0.23 to 0.27% Cu
20. CuAS = Acid Soluble Copper
21. NSR = Net Smelter Return
22. Silver in Rosebery doré is calculated as a constant ratio to gold in the doré. Silver is set to 0.17 against gold being 20.7
23. CuAS = Acid Soluble Copper

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

For the purpose of management discussion and analysis, the Group's results for the year ended 31 December 2020 are compared with results for the year ended 31 December 2019.

| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| **Revenue** | **3,033.7** | **3,011.6** | **1%** |
| Operating expenses | (1,590.6) | (1,538.1) | (3%) |
| Exploration expenses | (19.1) | (37.7) | 49% |
| Administration expenses | (20.5) | (23.3) | 12% |
| Other (expenses)/income | (23.8) | 49.0 | (149%) |
| **EBITDA** | **1,379.7** | **1,461.5** | **(6%)** |
| Depreciation and amortisation expenses | (927.8) | (969.6) | 4% |
| Impairment expense | - | (150.0) | - |
| **EBIT** | **451.9** | **341.9** | **32%** |
| Net finance costs | (399.5) | (511.9) | 22% |
| **Profit/(loss) before income tax** | **52.4** | **(170.0)** | **131%** |
| Income tax expense | (46.8) | (25.3) | (85%) |
| **Profit/(loss) for the year after income tax** | **5.6** | **(195.3)** | **103%** |
| Other comprehensive loss for the year after income tax(i) | (14.5) | - | (100%) |
| **Total comprehensive loss for the year** | **(8.9)** | **(195.3)** | **95%** |
| | | | |
| **Profit/(loss) attributable to:** | | | |
| Equity holders of the Company | (64.7) | (230.4) | 72% |
| Non-controlling interests | 70.3 | 35.1 | 100% |
| | | | |
| **Comprehensive profit/(loss) attributable to:** | | | |
| Equity holders of the Company | (76.5) | (230.4) | 67% |
| Non-controlling interests | 67.6 | 35.1 | 93% |

(i) Other comprehensive loss for the year represents items that may be reclassified to profit or loss. It is primarily made up of the fair value loss on hedging instruments designated as cash flow hedges, which as at 31 December 2020 were recorded in the cash flow hedge reserve.

### PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

MMG's profit of US$5.6 million for the year ended 31 December 2020 includes losses attributable to equity holders of US$64.7 million and profits attributable to non-controlling interests of US$70.3 million. This compares to losses attributable to equity holders of US$230.4 million and profits attributable to non-controlling interests of US$35.1 million in 2019. Profits attributable to non-controlling interests relates to the 37.5% interest in Las Bambas not owned by the Company.

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

| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| Profit after tax – Las Bambas 62.5% interest | 117.1 | 58.5 | 100% |
| Profit/(loss) after tax – Other operations | 15.3 | (38.5) | 140% |
| Impairment expense – net of income tax benefit | - | (105.0) | - |
| Exploration expenses | (19.1) | (37.7) | 49% |
| Administration expenses | (20.5) | (23.3) | 12% |
| Net finance costs (excluding Las Bambas) | (99.5) | (106.3) | 6% |
| Other | (58.0) | 21.9 | (365%) |
| **Loss for the year attributable to equity holders** | **(64.7)** | **(230.4)** | **72%** |

## OVERVIEW OF RESULTS FROM CONTINUING OPERATIONS

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

| | REVENUE | | | EBITDA | | |
|---|---|---|---|---|---|---|
| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE % FAV/(UNFAV) | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE % FAV/(UNFAV) |
| Las Bambas | 2,078.6 | 2,013.0 | 3% | 1,196.3 | 1,221.3 | (2%) |
| Kinsevere | 418.9 | 386.0 | 9% | 68.3 | 28.1 | 143% |
| Dugald River | 331.3 | 336.0 | (1%) | 100.0 | 108.7 | (8%) |
| Rosebery | 280.7 | 272.8 | 3% | 130.3 | 125.9 | 3% |
| Other | (75.8) | 3.8 | (2,095%) | (115.2) | (22.5) | (412%) |
| **Total** | **3,033.7** | **3,011.6** | **1%** | **1,379.7** | **1,461.5** | **(6%)** |

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

**Revenue** from operations increased by US$22.1 million (1%) compared to 2019, driven by favourable realised net commodity price movements (US$22.4 million), offset to a small degree by lower sales volumes (US$0.3 million).

A favourable commodity price variance of US$22.4 million was the result of higher realised prices for copper (US$115.0 million), silver (US$44.0 million) and gold (US$33.4 million). This was offset by lower realised prices for zinc (US$59.7 million), lead (US$14.2 million) and molybdenum (US$10.5 million), together with losses recognised in the profit and loss statement on copper (US$78.8 million) and zinc (US$6.8 million) commodity hedges. Copper hedges were transacted at a corporate level and are not reflected against individual site revenue. Zinc hedges were transacted at an operational level and have been recorded against Dugald River revenue.

Lower sales volumes of US$0.3 million were primarily due to lower payable metal content in copper concentrate sold from Las Bambas (US$82.7 million). This was partly offset by higher molybdenum sales volumes (US$15.7 million), following the completion of de-bottlenecking work at the molybdenum plant which increased production. Further offsetting was an increase in payable metal sales volumes at Kinsevere (US$23.3 million) and Dugald River (US$40.5 million), a result of increased production at both sites. At Rosebery, lower zinc and lead sales volumes (US$15.5 million) resulted from lower production of these metals, however this was more than offset by increased production and sale of precious metal by-products (US$18.4 million).

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Further detail for each site is set out below in the mine analysis section.

| REVENUE BY COMMODITY YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| Copper (US$ million) | 2,178.6 | 2,167.1 | 1% |
| Zinc (US$ million) | 369.9 | 420.7 | (12%) |
| Lead (US$ million) | 70.1 | 81.8 | (14%) |
| Gold (US$ million) | 190.9 | 172.6 | 11% |
| Silver (US$ million) | 181.4 | 131.7 | 38% |
| Molybdenum (US$ million) | 42.8 | 37.7 | 14% |
| **Total** | **3,033.7** | **3,011.6** | **1%** |

## PRICE

Average LME metals prices for copper, gold and silver were higher in 2020 compared to 2019. The averages for zinc, lead and molybdenum were lower.

| AVERAGE LME CASH PRICE YEAR ENDED 31 DECEMBER | 2020 | 2019 | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| Copper (US$/tonne) | 6,169 | 6,005 | 3% |
| Zinc (US$/tonne) | 2,265 | 2,549 | (11%) |
| Lead (US$/tonne) | 1,824 | 1,998 | (9%) |
| Gold (US$/ounce) | 1,770 | 1,393 | 27% |
| Silver (US$/ounce) | 20.51 | 16.20 | 27% |
| Molybdenum (US$/tonne) | 19,163 | 25,032 | (23%) |

## SALES VOLUMES

| PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER | 2020 | 2019 | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| Copper (tonnes) | 377,852 | 382,214 | (1%) |
| Zinc (tonnes) | 216,535 | 208,538 | 4% |
| Lead (tonnes) | 45,088 | 43,981 | 3% |
| Gold (ounces) | 109,336 | 120,061 | (9%) |
| Silver (ounces) | 8,418,940 | 8,061,622 | 4% |
| Molybdenum (tonnes) | 2,609 | 1,866 | 40% |

| PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2020 | COPPER TONNES | ZINC TONNES | LEAD TONNES | GOLD OUNCES | SILVER OUNCES | MOLYBDENUM TONNES |
|---|---|---|---|---|---|---|
| Las Bambas | 304,266 | - | - | 72,860 | 4,092,872 | 2,609 |
| Kinsevere | 72,024 | - | - | - | - | - |
| Dugald River | - | 152,573 | 23,301 | - | 1,583,186 | - |
| Rosebery | 1,562 | 63,962 | 21,787 | 36,476 | 2,742,882 | - |
| **Total** | **377,852** | **216,535** | **45,088** | **109,336** | **8,418,940** | **2,609** |

| PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2019 | COPPER TONNES | ZINC TONNES | LEAD TONNES | GOLD OUNCES | SILVER OUNCES | MOLYBDENUM TONNES |
|---|---|---|---|---|---|---|
| Las Bambas | 312,918 | - | - | 91,439 | 4,581,714 | 1,866 |
| Kinsevere | 67,881 | - | - | - | - | - |
| Dugald River | - | 138,409 | 20,291 | - | 1,193,303 | - |
| Rosebery | 1,415 | 70,129 | 23,690 | 28,622 | 2,286,605 | - |
| **Total** | **382,214** | **208,538** | **43,981** | **120,061** | **8,061,622** | **1,866** |

**Operating expenses** include expenses of operating sites, excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses and other operating expenses.

Total operating expenses increased by US$52.5 million (3%) in 2020. This was largely attributable to Las Bambas (US$46.5 million), with total operating expenses at other sites broadly in line with 2019 levels.
Further detail for each site is set out below in the mine analysis section.

**Exploration expenses** decreased by US$18.6 million (49%) to US$19.1 million in 2020, largely due to exploration work in around existing hubs being disrupted by COVID-19. In particular, this resulted in lower exploration spend in relation to tenements in the DRC (US$11.1 million) and at Las Bambas (US$8.0 million).

**Administrative expenses** represent head office expenditure not re-charged to operating sites. Administrative expenses decreased by US$2.8 million (12%) in 2020, predominantly driven by cost and efficiency improvement initiatives across group and support functions, resulting in lower people costs, consultant spend and travel expenses compared to 2019 (US$11.6 million). The majority of this benefit was realised at a site level through lower re-charges.

**Other income and expenses** had an aggregate unfavourable impact on EBIT of US$23.8 million in 2020, compared to a favourable impact in 2019 (US$49.0 million). In 2020, other income and expenses were largely represented by net foreign exchange losses of US$33.6 million (2019: US$3.0 million gain). These losses include revaluation of the Century guarantee liability (US$12.4 million), Peru VAT and income tax receivable balances (US$11.5 million) and other realised and unrealised foreign exchange positions primarily related to further AUD and PEN exposures arising in the ordinary course of business. Foreign exchange losses were partly offset by US$5.1 million of additional insurance proceeds received in relation to a conveyor belt failure at Las Bambas in 2017 (2019: US$12.0 million) and a reduction in the Century bank guarantee liability (US$3.7 million).

**Depreciation and amortisation expenses** decreased by US$41.8 million (4%) to US$927.8 million in 2020. This was largely driven by Kinsevere (US$22.8 million), as a result of lower mining volumes following the temporary suspension of mining activities from late in the third quarter. At Rosebery, lower mining and production when compared to 2019 also resulted in reduced depreciation (US$19.9 million).

**Net finance costs** of US$399.5 million were lower by US$112.4 million (22%) compared to 2019. Lower average LIBOR rates applicable to floating rate borrowings (US$71.8 million) and interest savings associated with lower overall debt balances (US$35.5 million) were the largest drivers of this reduction. A favourable movement in other finance costs and lower discount unwind in realtion to lease liabilities, was partly offset by decreased interest income (US$9.3 million), a result of lower average cash balances and interest rates available on bank deposits.

**Income tax expense** increased by US$21.5 million, reflecting the increase in the Group's underlying profit before income tax from the prior year. Underlying income tax expense for 2020 of US$46.8 million reflects the impacts of non-creditable withholding tax in Peru of US$37.6 million (2019: US$38.8 million), and other non-deductible items.

# MINE ANALYSIS


# LAS BAMBAS

## 2020 OVERVIEW

**PRODUCTION**

COPPER IN COPPER CONCENTRATE

**OWNERSHIP**

62.5% MMG
22.5% GUOXIN INTERNATIONAL INVESTMENT CO. LTD.
15.0% CITIC METALS CO. LTD.

**REVENUE** (US$ million)
$2,078.6

**ORE MILLED** (tonnes)
45,184,395

**COPPER IN CONCENTRATE PRODUCED** (tonnes)
311,020

**IMAGE:** Truck driver at Las Bambas mine.

# MANAGEMENT DISCUSSION AND ANALYSIS
## MINE ANALYSIS – LAS BAMBAS

| YEAR ENDED 31 DECEMBER | 2020 | 2019 | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| **Production** | | | |
| Ore mined (tonnes) | 57,999,845 | 51,653,616 | 12% |
| Ore milled (tonnes) | 45,184,395 | 51,283,371 | (12%) |
| Waste movement (tonnes) | 137,484,467 | 128,286,976 | 7% |
| Copper in copper concentrate (tonnes) | 311,020 | 382,518 | (19%) |
| **Payable metal in product sold** | | | |
| Copper (tonnes) | 304,266 | 312,918 | (3%) |
| Gold (ounces) | 72,860 | 91,439 | (20%) |
| Silver (ounces) | 4,092,872 | 4,581,714 | (11%) |
| Molybdenum (tonnes) | 2,609 | 1,866 | 40% |

| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE% FAV/(UNFAV) |
|---|---|---|---|
| **Revenue** | **2,078.6** | **2,013.0** | **3%** |
| **Operating expenses** | | | |
| **Production expenses** | | | |
| Mining | (211.8) | (296.1) | 28% |
| Processing | (216.1) | (243.5) | 11% |
| Other | (323.5) | (335.2) | 3% |
| **Total production expenses** | **(751.4)** | **(874.8)** | **14%** |
| Freight (transportation) | (69.0) | (63.0) | (10%) |
| Royalties | (62.6) | (58.1) | (8%) |
| Other [(i)] | 10.7 | 170.1 | (94%) |
| **Total operating expenses** | **(872.3)** | **(825.8)** | **(6%)** |
| Other (expenses)/income[(ii)] | (10.0) | 34.1 | (129%) |
| **EBITDA** | 1,196.3 | 1,221.3 | (2%) |
| Depreciation and amortisation expenses | (695.5) | (697.2) | 0% |
| **EBIT** | **500.8** | **524.1** | **(4%)** |
| **EBITDA margin** | **58%** | **61%** | |

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

(ii) Effective from 2020, Other (expenses)/income includes Las Bambas related exploration expenditure, which was previously recognised at a corporate level. Prior year comparatives have been reclassified to reflect this change.

# MANAGEMENT DISCUSSION AND ANALYSIS
## MINE ANALYSIS – LAS BAMBAS

Las Bambas produced 311,020 tonnes of copper in 2020, 71,498 tonnes (19%) below 2019 volumes. COVID-19 associated restrictions on people movement, unplanned site maintenance requirements and community road blockages, some of which extended to inbound logistics, had a combined adverse impact on annual copper production of approximately 70,000 tonnes. Completion of de-bottlenecking works at the molybdenum plant in the third quarter did however result in a significant increase in molybdenum output, with production of 3,167 tonnes representing a 78% increase on the prior year.

In 2019, concentrate transport logistics at Las Bambas were disrupted for over 100 days as a result of community disruption. In 2020, community disruption accounted for 64 days of lost concentrate transportation, however when combined with a further 43 days of disruption due to COVID-19 the total figure was comparable to 2019. Despite this, total tonnages of concentrate sold in 2020 did increase slightly (6%) compared to prior year levels. Although the balance fluctuated throughout the year, this resulted in approximately 65,000 tonnes of copper metal remaining stockpiled at site as at 31 December 2020 (2019: 50,000 tonnes), with a build up toward year end the result of community disruptions in the fourth quarter. Of this balance, approximately 18,000 tonnes had been sold prior to balance date and although stored at site, it no longer forms part of Las Bambas' inventory. This, together with other unsold concentrate held at site will be progressively shipped over the first half of 2021.

Las Bambas' revenue of US$2,078.6 million was 3% higher than 2019. The impact of higher realised commodity prices (US$132.6 million) and higher molybdenum sales volumes (US$15.7 million), was partly offset by lower payable metal content in copper concentrate sold compared to the prior year (US$82.7 million).

Total production expenses of US$751.4 million were 14% below 2019 levels. Lower mining costs of US$84.3 million were largely the result of higher mining capitalisation (US$49.0 million), with increased waste material movement compared to the prior year. In addition, lower mining costs also reflect the deferral of some maintenance activities (US$30.4 million) into 2021, as a result of operational disruptions caused by COVID-19. Processing costs reduced by US$27.4 million, driven by lower milling volumes, reduced maintenance costs and lower reagent unit prices.

Lower production expenses were offset by year-on-year stock movements, with a favourable net impact in 2019 resulting from a build-up in stockpiled concentrate following community disruptions (US$183.7 million). As noted above, the balance of unsold copper stockpiled at site as at 31 December 2020 remains roughly in line with 2019 year end levels, however ore stockpiles did increase in line with the mine plan (US$69.7 million). Total operating expenses were also impacted by the higher health and safety initiatives in response to COVID-19 (US$27.5 million) and increased royalty and transport costs (US$10.5 million), reflecting higher concentrate sales volumes and revenue.

A US$44.1 million movement in other income and expenses largely resulted from the year-on-year impact of US$33.6 million in one-off other income items during 2019. This related to the reversal of tax overprovisions and the impact of lease accounting adjustments.

C1 costs for 2020 were US$1.00/lb, which is largely consistent with 2019 C1 costs of US$0.99/lb. The impact of lower copper production was largely offset by reduced cash production expenses and higher by-product credits.

As a result of ongoing delays to the permitting and development of Chalcobamba (refer Development Projects section) and the impact of COVID-19 on the progress of other site development projects, Las Bambas copper concentrate production for 2021 is expected to be between 310,000 and 330,000 tonnes. Benefiting from the development of Chalcobamba, investment in mine fleet and the third ball mill, it is expected that annual production will increase to an average of 400,000 tonnes over the subsequent four-year period (2022-2025, inclusive).

C1 unit cost guidance of US$1.10-1.20/lb for 2021 represents an increase on 2020. In large part this is attributable to increased pre-stripping, maintenance, community costs and project study expenditure, much of which has been held over from 2020 due to COVID-19 impacts. Cost pressures associated with increased mining and milling volumes and longer haul distances as the depth of the Ferrobamba pit increases and Chalcobamba comes into production, will continue to be partially offset by ongoing cost and efficiency programs. This will ensure Las Bambas remains one of the lowest cost mines of this scale in the world.

# MINE ANALYSIS

# KINSEVERE

## 2020 OVERVIEW

**PRODUCTION**
COPPER CATHODE

**OWNERSHIP**
100% MMG

**REVENUE** (US$ million)
$418.9

**ORE MILLED** (tonnes)
2,448,852

**COPPER CATHODE PRODUCED** (tonnes)
72,007

**IMAGE:** Kinsevere processing plant.

# MANAGEMENT DISCUSSION AND ANALYSIS
## MINE ANALYSIS – KINSEVERE

| YEAR ENDED 31 DECEMBER | 2020 | 2019 | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| **Production** | | | |
| Ore mined (tonnes) | 1,925,609 | 2,462,037 | (22%) |
| Ore milled (tonnes) | 2,448,852 | 2,355,275 | 4% |
| Waste movement (tonnes) | 8,773,208 | 17,024,362 | (48%) |
| Copper cathode (tonnes) | 72,007 | 67,935 | 6% |
| **Payable metal in product sold** | | | |
| Copper (tonnes) | 72,024 | 67,881 | 6% |

| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE% FAV/(UNFAV) |
|---|---|---|---|
| **Revenue** | **418.9** | **386.0** | **9%** |
| **Operating expenses** | | | |
| **Production expenses** | | | |
| Mining | (63.4) | (88.2) | 28% |
| Processing | (85.0) | (103.3) | 18% |
| Other | (104.1) | (111.7) | 7% |
| **Total production expenses** | **(252.5)** | **(303.2)** | **17%** |
| Freight (export clearing costs) | (12.1) | (11.0) | (10%) |
| Royalties | (24.9) | (22.5) | (11%) |
| Other(i) | (45.5) | (0.9) | (4,956%) |
| **Total operating expenses** | **(335.0)** | **(337.6)** | **1%** |
| Other expenses(ii) | (15.6) | (20.3) | 23% |
| **EBITDA** | **68.3** | **28.1** | **143%** |
| Depreciation and amortisation expenses | (117.2) | (140.1) | 16% |
| **EBIT (underlying)** | **(48.9)** | **(112.0)** | **56%** |
| **Impairment expense** | **-** | **(150.0)** | **-** |
| **EBIT (statutory)** | **(48.9)** | **(262.0)** | **81%** |
| **EBITDA margin** | **16%** | **7%** | |

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

(ii) Effective from 2020, Other expenses includes Kinsevere related exploration expenditure, which was previously recognised at a corporate level. Prior year comparatives have been reclassified to reflect this change.

Kinsevere produced 72,007 tonnes of copper cathode in 2020, a 6% increase on the prior year. This was a result of a return to mining at the higher-grade Central pit together with sustained plant stability, with increased throughput, recovery and ore grades all contributing. Mined ore volumes decreased by 22% compared to 2019 levels. This followed a decision to temporarily suspend mining activity from late in the third quarter. It is expected that mining will resume in the second quarter of 2021, with ore stockpiles being consumed in the interim.

Revenue increased by $32.9 million (9%) compared to 2019, driven by higher sales on the back of increased production (US$23.6 million) and higher average realised copper prices (US$9.3 million).

Total operating costs of US$335.0 million were in line with 2019 (US$337.6 million). A US$50.7 million reduction in production expenses, as discussed below, was largely offset by unfavourable inventory movements, with a net drawdown of ore stockpiles in 2020 following the temporary suspension of mining (US$25.4 million). This compares to a US$25.8 million ore build-up in 2019, resulting in a year-on-year movement of US$51.2 million. Increased freight and royalty costs were consistent with higher sales volumes, with a 16% reduction in depreciation reflecting lower mine output.

Mining costs were lower by US$24.8 million, consistent with lower waste movement and mining volumes, in particular following the temporary suspension of mining at the end of September. Processing costs were lower by US$18.3 million, with more favourable ore characteristics requiring less reagent and power consumption. This includes savings attributable to lower sulphuric acid consumption (US$8.4 million) and reduced maintenance costs. Other production expenses were lower by US$7.6 million mainly due to lower consumption of third-party ore (US$13.8 million), however this was partially offset by increased health and safety costs in response to COVID-19 (US$7.0 million).

C1 unit costs for 2020 of $US1.81/lb reflected higher production volumes, together with benefits associated with a return to mining at the higher-grade Central pit. The temporary suspension of mining from late in the third quarter also contributed.

Copper cathode production for 2021 is expected to be in the range of 50,000 to 60,000 tonnes. This reflects expected ore grade declines, depleting oxide reserves, and a mine plan that assumes the Company will proceed with a transition to the mining and processing of sulphide ores in future years. As noted elsewhere in this report, the decision to proceed with this phase of development remains subject to Board approval. Reflecting a lower production guidance range and an anticipated increase in mining volumes once mining activity resumes, 2021 full year C1 costs are expected to be between US$2.15 and US$2.25/lb.

# MINE ANALYSIS

# DUGALD RIVER

## 2020 OVERVIEW

**PRODUCTION**
ZINC IN ZINC CONCENTRATE
LEAD IN LEAD CONCENTRATE

**OWNERSHIP**
100% MMG

**REVENUE** (US$ million)
$331.3

**ORE MILLED** (tonnes)
1,958,672

**ZINC IN CONCENTRATE PRODUCED** (tonnes)
177,704

**IMAGE:** Processing Operations personnel in the zinc flotation circuit, Dugald River Mine.

# MANAGEMENT DISCUSSION AND ANALYSIS
## MINE ANALYSIS – DUGALD RIVER

| YEAR ENDED 31 DECEMBER | 2020 | 2019 | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| **Production** | | | |
| Ore mined (tonnes) | 1,982,988 | 1,853,876 | 7% |
| Ore milled (tonnes) | 1,958,672 | 1,975,569 | (1%) |
| Zinc in zinc concentrate (tonnes) | 177,704 | 170,057 | 4% |
| Lead in lead concentrate (tonnes) | 23,847 | 23,154 | 3% |
| **Payable metal in product sold** | | | |
| Zinc (tonnes) | 152,573 | 138,409 | 10% |
| Lead (tonnes) | 23,301 | 20,291 | 15% |
| Silver (ounces) | 1,583,186 | 1,193,303 | 33% |

| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE% FAV/(UNFAV) |
|---|---|---|---|
| **Revenue** | **331.3** | **336.0** | **(1%)** |
| **Operating expenses** | | | |
| **Production expenses** | | | |
| Mining | (81.0) | (73.4) | (10%) |
| Processing | (60.8) | (67.0) | 9% |
| Other | (57.4) | (59.1) | 3% |
| **Total production expenses** | **(199.2)** | **(199.5)** | **0%** |
| Freight (transportation) | (12.6) | (13.2) | 5% |
| Royalties | (11.3) | (12.3) | 8% |
| Other[(i)] | (4.0) | (2.8) | (43%) |
| **Total operating expenses** | **(227.1)** | **(227.8)** | **0%** |
| Other (expenses)/income[(ii)] | (4.2) | 0.5 | (940%) |
| **EBITDA** | **100.0** | **108.7** | **(8%)** |
| Depreciation and amortisation expenses | (59.9) | (55.9) | (7%) |
| **EBIT** | **40.1** | **52.8** | **(24%)** |
| **EBITDA margin** | **30%** | **32%** | |

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

(ii) Effective from 2020, Other (expenses)/income includes Dugald River related exploration expenditure, which was previously recognised at a corporate level. Prior year comparatives have been reclassified to reflect this change.

# MANAGEMENT DISCUSSION AND ANALYSIS
## MINE ANALYSIS – DUGALD RIVER

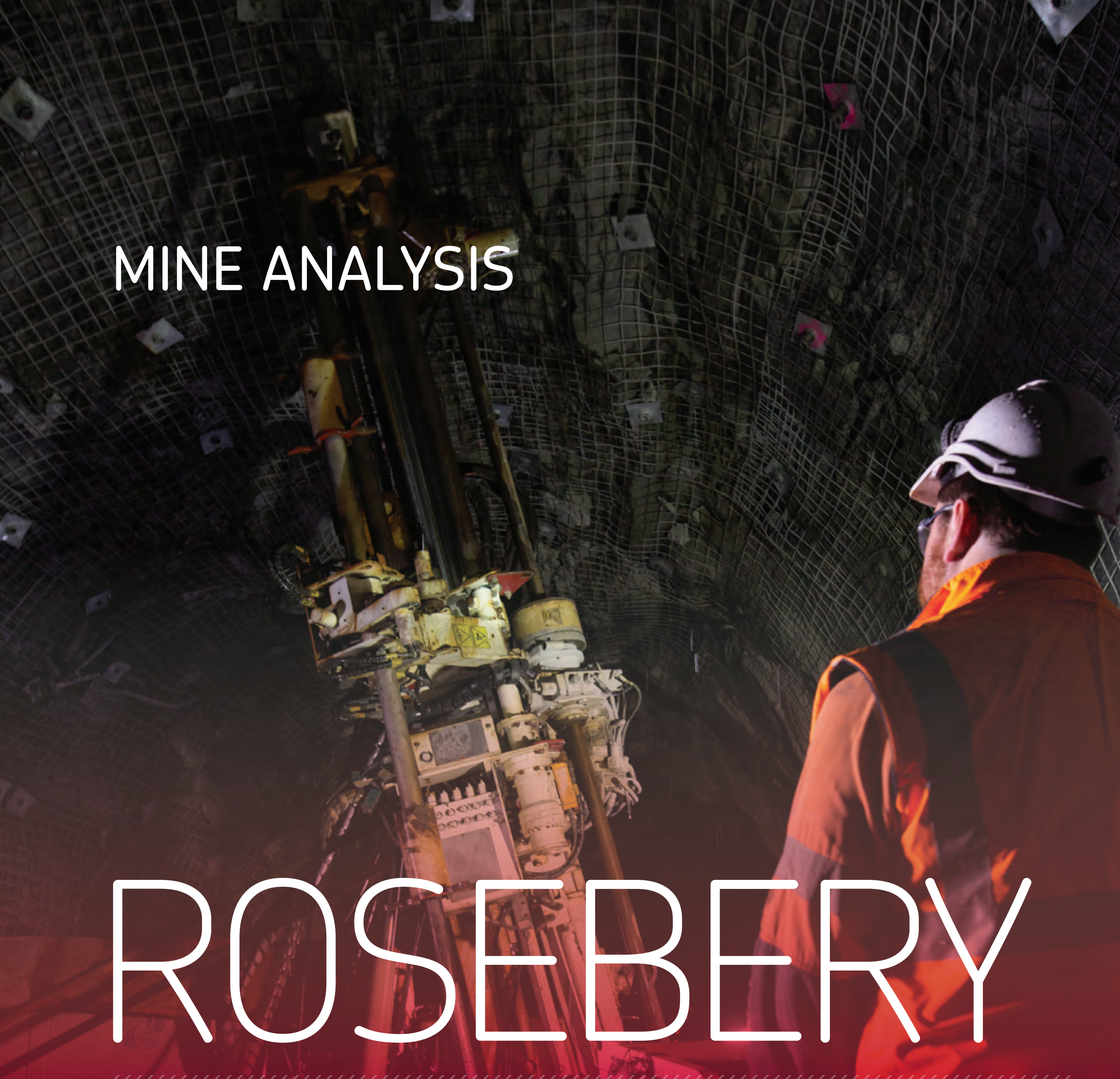
Dugald River delivered record annual production of 177,704 tonnes of zinc in zinc concentrate during 2020, 4% above 2019 volumes. Annual records were also set for mining volumes, recovery and the production of lead and silver by-products. These significant achievements were a result of continued success in work to ramp up and optimise both the mine and processing plant.

Revenue decreased by US$4.7 million (1%) compared to 2019, a result of lower average realised zinc and lead prices and losses realised on zinc commodity hedges. This was partly offset by higher zinc, lead and silver sales volumes and higher average realised silver prices.

Total operating expenses of US$227.1 million were in line with 2019, despite increased production. Higher mining costs (US$7.6 million) were driven by increased volumes and contractor costs. This was however largely offset by lower processing costs (US$6.2 million), mainly attributable to reduced energy expenditure.

Full year C1 unit costs were US$0.70/lb in 2020, consistent with the prior year. The favourable impact of higher volumes and increased by-product credits was offset by higher zinc treatment charges.

Dugald River is expected to produce between 180,000 and 190,000 tonnes of zinc during 2021, an increase on 2020 volumes. Anticipated 2021 C1 costs of US$0.70/lb – US$0.75/lb are in line with 2020. Higher production volumes, together with an expected fall in treatment charges and higher by-product credits will offset the impacts of what is anticipated to be a less favourable exchange rate environment.



# MINE ANALYSIS

# ROSEBERY

## 2020 OVERVIEW

**PRODUCTION**

ZINC IN ZINC CONCENTRATE
LEAD IN LEAD CONCENTRATE
COPPER IN COPPER CONCENTRATE
GOLD DORE

**OWNERSHIP**

100% MMG

**REVENUE** (US$ million)

$280.7

**ORE MILLED** (tonnes)

979,718

**ZINC IN CONCENTRATE PRODUCED** (tonnes)

67,393

**IMAGE:** Underground at the Rosebery Mine, operating a Diamond Drill Rig.

# MANAGEMENT DISCUSSION AND ANALYSIS
## MINE ANALYSIS – ROSEBERY

| YEAR ENDED 31 DECEMBER | 2020 | 2019 | CHANGE % FAV/(UNFAV) |
|---|---|---|---|
| **Production** | | | |
| Ore mined (tonnes) | 991,124 | 1,032,508 | (4%) |
| Ore milled (tonnes) | 979,718 | 1,030,016 | (5%) |
| Copper in copper concentrate (tonnes) | 1,537 | 1,510 | 2% |
| Zinc in zinc concentrate (tonnes) | 67,393 | 83,463 | (19%) |
| Lead in lead concentrate (tonnes) | 23,272 | 24,549 | (5%) |
| Gold contained in gold doré (ounces) | 10,636 | 10,567 | 1% |
| Silver contained in gold doré (ounces) | 6,137 | 6,051 | 1% |
| **Payable metal in product sold** | | | |
| Copper (tonnes) | 1,562 | 1,415 | 10% |
| Zinc (tonnes) | 63,962 | 70,129 | (9%) |
| Lead (tonnes) | 21,787 | 23,690 | (8%) |
| Gold (ounces) | 36,476 | 28,622 | 27% |
| Silver (ounces) | 2,742,882 | 2,286,605 | 20% |

| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE% FAV/(UNFAV) |
|---|---|---|---|
| **Revenue** | **280.7** | **272.8** | **3%** |
| **Operating expenses** | | | |
| **Production expenses** | | | |
| Mining | (69.2) | (74.3) | 7% |
| Processing | (29.7) | (29.3) | (1%) |
| Other | (23.1) | (24.9) | 7% |
| **Total production expenses** | **(122.0)** | **(128.5)** | **5%** |
| Freight (transportation) | (6.5) | (7.0) | 7% |
| Royalties | (15.0) | (12.3) | (22%) |
| Other(i) | (6.4) | 0.9 | (811%) |
| **Total operating expenses** | **(149.9)** | **(146.9)** | **(2%)** |
| Other expenses(ii) | (0.5) | - | (100%) |
| **EBITDA** | **130.3** | **125.9** | **3%** |
| Depreciation and amortisation expenses | (50.8) | (70.7) | 28% |
| **EBIT** | **79.5** | **55.2** | **44%** |
| **EBITDA margin** | **46%** | **46%** | |

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

(ii) Effective from 2020, Other expenses includes Rosebery related exploration expenditure, which was previously recognised at a corporate level. Prior year comparatives have been reclassified to reflect this change.

Rosebery produced 67,393 tonnes of zinc in 2020, 19% below the prior year however slightly above expectations. Declining zinc ore grades at depth was the key driver for the anticipated decline from prior year, in addition to lower mining and milling volumes – a result of constrained mine access for much of the year following seismic events in 2019. Lead production was also lower than prior year volumes (5%), however both gold and silver production increased.

Revenue increased by US$7.9 million (3%) to US$280.7 million in 2020, a result of higher sales volumes and realised prices for gold and silver. This was however offset by the impact of lower sales and average realised prices for zinc and lead.

Total production expenses were US$6.5 million (5%) lower than 2019. Savings were largely attributable to reduced mining and milling volumes and an increase in capitalised mine development. This was however partly offset by higher backfill and additional tailings dam management expenditure. A slight increase in royalty payments was a result of increased revenue from precious metals.

Reflecting the strong contribution of precious metal by-products throughout the year, Rosebery's zinc C1 costs for 2020 were US$0.01/lb. Also contributing to this result were lower production expenses, which offset the adverse impacts of reduced volumes and higher zinc treatment charges compared to the prior year.

MMG expects to produce between 60,000 and 70,000 tonnes of zinc in zinc concentrate in 2021. C1 costs are estimated at US$0.00-0.10/lb, with this range remaining sensitive to by-product metal production and price and exchange rate fluctuations. These guidance ranges are broadly in line with 2020 results, reflecting the ability of the Company to continue efficiently operating the mine and maximizing output. This is despite longer term grade declines and higher costs associated with operating at depth.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## CASH FLOW ANALYSIS

### NET CASH FLOW

| YEAR ENDED 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Net operating cash flows | 1,358.2 | 1,145.1 |
| Net investing cash flows | (515.8) | (480.8) |
| Net financing cash flows | (867.2) | (1,048.7) |
| **Net cash outflows** | **(24.8)** | **(384.4)** |

**Net operating cash inflows** increased by US$213.1 million (19%) to US$1,358.2 million. This largely reflects a US$230.0 million year-on-year movement in cash flows associated with income tax (2020: US$32.4 million refund / 2019: US$197.6 million payment). Operating cashflow benefits associated with reduced exploration expenditure and lower cash production costs were largely offset by a decrease in cash receipts from customers and other timing differences.

**Net investing cash outflows** increased by US$35.0 million (7%) to US$515.8 million. This was primarily due to higher capital spend at Las Bambas (US$40.5 million) in major projects such as the third-ball mill, tailings dam works, new mine fleet, de-bottlenecking of the Molybdenum plant and increased capitalised mining expenditure.

**Net financing cash outflows** decreased by US$181.5 million (17%) in 2020 and included a US$453.3 million net repayment of borrowings (2019: US$511.4 million), together with payment of interest and financing costs of US$380.7 million (2019: $509.1 million).

## FINANCIAL RESOURCES AND LIQUIDITY

| AT 31 DECEMBER | 2020 US$ MILLION | 2019 US$ MILLION | CHANGE US$ MILLION |
|---|---|---|---|
| Total assets | 12,298.0 | 12,665.1 | (367.1) |
| Total liabilities | (9,628.3) | (9,987.2) | 358.9 |
| **Total equity** | **2,669.7** | **2,677.9** | **(8.2)** |

Total equity decreased by US$8.2 million to US$2,669.7 million at 31 December 2020. This was mainly due to the net profit for the year (US$5.6 million), offset by the impact of an unfavourable change in fair value of derivative instruments that was recognised in the cashflow hedge reserve (US$12.8 million).

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

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

| MMG GROUP | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Total borrowings (excluding prepaid finance charges)(i) | 7,238.5 | 7,691.9 |
| Less: cash and cash equivalents | (192.7) | (217.5) |
| **Net debt** | **7,045.8** | **7,474.4** |
| Total equity | 2,669.7 | 2,677.9 |
| **Net debt +Total equity** | **9,715.5** | **10,152.3** |
| **Gearing ratio** | **0.73** | **0.74** |

(i) Borrowings at an MMG Group level reflect 100% of the borrowings of the Las Bambas Joint Venture Group. Las Bambas Joint Venture Group borrowings at 31 December 2020 were US$4,400.2 million (2019: US$4,852.1 million) and Las Bambas Joint Venture Group cash and cash equivalents at 31 December 2020 were US$102.2 million (2019: US$90.9 million). For the purpose of calculating the gearing ratio, Las Bambas Joint Venture Group borrowings and cash and cash equivalent balances have not been reduced to reflect the MMG Group's 62.5% equity interest. This is consistent with the basis of preparation of MMG's financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,261.3 million (2019: US$2,261.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas Joint Venture Group. For the purpose of the above, it has however been included as borrowings.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## AVAILABLE DEBT FACILITIES

At 31 December 2020, the Group (excluding the Las Bambas Joint Venture Group) had available to it undrawn debt facilities of US$650.0 million (31 December 2019: US$220.0 million). This was represented by:

(i) US$70.0 million (2019: nil) that was undrawn and available under a US$300.0 million revolving credit facility provided by Top Create, for general corporate purposes. The facility, which matures in June 2021, was established in June 2020, to replace a US$300.0 million revolving credit facility provided by ICBC, Melbourne Branch that was due to mature in December of 2020;

(ii) US$200.0 million (2019: US$100.0 million) that was undrawn and available under a US$200.0 million revolving credit facility provided by Top Create, for general corporate purposes. In May of 2020, the limit of this facility was increased from US$100.0 million to US$200.0 million and the maturity date extended from April to October 2021;

(iii) US$80.0 million that was an additional US$85.0 million facility with China Development Bank maturing in September 2023; and

(iv) US$300.0 million that was a new US$300.0 million revolving credit facility with ICBC maturing in December 2023.

At 31 December 2020, the Las Bambas Joint Venture Group had available to it undrawn debt facilities of US$1,150.0 million (31 December 2019: US$350.0 million). This was represented by:

(i) US$175.0 million (2019: US$175.0 million) that was undrawn and available under a US$175.0 million revolving credit facility provided by BOC Sydney, for general corporate purposes;

(ii) US$175.0 million (2019: US$175.0 million) that was undrawn and available under a US$175.0 million revolving credit facility provided by ICBC Luxembourg, for general corporate purposes; and

(iii) US$800.0 million (2019: nil) that was an additional US$800.0 million three years revolving credit facility to support the operation through the COVID-19 pandemic with China Development Bank, Bank of China, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China.

In addition, at 31 December 2020, the Las Bambas Joint Venture Group had an agreement with CMC and CITIC, each as direct or indirect off-takers of Las Bambas production, for early payment on cargoes already shipped and invoiced as well as pre-payments for inventory held at both port and site. Early payment and pre-payments are permitted up to an aggregate amount of US$200.0 million, allocated to each party in their respective off-take proportions.

The Group's available external debt facilities are subject to covenant compliance requirements. The Group was not in breach of covenant requirements in respect of the Group's borrowings at 31 December 2020. Certain financial covenants are measured with reference to the financial performance of the Group or its subsidiaries and may be influenced by future operational performance and community related disruptions.

## DEVELOPMENT PROJECTS

Drilling, permitting and engineering works continue at the Las Bambas Chalcobamba project, however progress in 2020 was delayed as a result of the COVID-19 pandemic. General political instability across Peru, in particular over the second half of 2020, also contributed to delays.

Formal government permitting is now anticipated to be received during the first quarter of 2021. The Company is also continuing to take steps to progress community engagement in the area. This is with an expectation of commencing significant development of the pit and accessing first ore during the first half of 2021.

There were no other major development projects noted during the year ended 31 December 2020.

## CONTRACTS AND COMMITMENTS

635 contracts have been reviewed during 2020 through either market engagements or in-contract renegotiations. The approximate annual operational or capital values addressed by these activities totals US$1,094.0 million.

Significant additional contracting activity was undertaken with respect to all of the Company's operations throughout 2020 to ensure security of supply for critical inputs and other requirements as necessary to enable continued operations and the management of risks throughout the COVID-19 pandemic.

### LAS BAMBAS

New and revised agreements were finalised in the period to ensure a sustainable cost base and in support of optimising production and expansion options for Las Bambas including; contracts for the supply of blasting services and explosives, additional mobile equipment, temporary camp facilities, fixed plant components (and associated maintenance services), spares, earthmoving services and engineering services. Multiple IT contracts, site services contracts, contracts related to tailings storage facilities and other site infrastructure capital works, multiple contracts covering operations, studies and exploration drilling services, and various goods and services contracts were also finalised in support of the operations. These processes involved engagement with various local communities.

### KINSEVERE

New and revised agreements were finalised with regard to various goods and services focussed on supporting production levels while improving operational cost performance. This included revision of mining and civil services contracts, operations and exploration drilling services contracts, multiple contracts covering material and service requirements for site infrastructure projects and various contracts for the supply of reagents and commodities. In addition, various engineering services and consultancy agreements were finalised in support of Kinsevere expansion and development studies.

### DUGALD RIVER

New and revised agreements were finalised with regards to operations, including; revised concentrate logistics and drilling services contracts, multiple contracts for the supply of reagents and grinding media, multiple contracts covering goods and services requirements for infrastructure projects, and other site support services.

### ROSEBERY

New and revised agreements were finalised with regards to various goods and services with a focus on supporting mine development activities and maintaining production performance. These included; drilling and site support services, multiple contracts for the supply of reagents and grinding media and various engineering, laboratory services and consultancy agreements.

### GROUP

New and revised agreements were finalised with regards to various goods and services including; group-wide travel management contracts, IT related services and licence agreements, and multiple professional services and consultancy agreements.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## PEOPLE

As at 31 December 2020, the Group employed a total of 3,958 full-time equivalent employees (2019: 3,852) in its operations (excluding contractors) with the majority of employees based in Australia, Peru, the Democratic Republic of Congo, the Laos People's Democratic Republic and China.

Total employee benefits expenses for the Group's continuing operations for the year ended 31 December 2020, including Directors' emoluments, totalled US$247.4 million – a reduction of 18.3% (2019: US$302.9 million). This was primarily due to organisational transformation, an increase in capitalised mining at Las Bambas, operational efficiencies and the one-off impact of prior year collective agreements.

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

## EXPLORATION ACTIVITIES

Exploration expenditure for 2020 was US$19.1 million (2019: US$37.7 million). This reduction in expenditure was largely a result of exploration work in and around existing hubs being disrupted by COVID-19.

The 2020 exploration program at Las Bambas focused on further resource definition drilling at Chalcobamba as well as ongoing development drilling within the southwest extension of the Chalcobamba deposit (Chalcobamba Southwest Zone). Drilling the Chalcobamba Southwest Zone continues to extend and confirm the near surface skarn and porphyry copper mineralization that is expected to drive expansion of the Chalcobamba pit design and contributed to a 13% increase in copper resource at the Chalcobamba deposit. To the extent possible given COVID-19 restraints, surface exploration continued within the mining leases surrounding the currently identified mineral resources. Surface exploration programs include electrical and magnetic geophysical methods as well as surface geochemical surveys and are evaluating potential extensions to known mineral resources as well as recently identified exploration targets.

In the DRC, exploration activity has continued to focus on the discovery and delineation of satellite copper oxide deposits within a roughly 50km radius of the Kinsevere mine. This activity continues to confirm and define several compelling copper-cobalt targets at the Nambulwa, Mwepu, Sokaroshe II and Shandwe Projects.

At Dugald River, underground drilling in 2020 focussed on infilling in the South Mine. Orebody thicknesses intersected in the 2020 program exceeded 2019 interpretation, leading to an increase in the size of the zinc orebody. As reported in the Company's 2020 Mineral Resource and Ore Reserve statement, the tonnage of the primary zinc mineral resource at Dugald River increased by approximately 14% from the previous annual report. High grade lead and silver are also present in these areas of structural thickening. Further interpretation work has indicated that these thicknesses in the zinc orebody could be repeated within the current in-mine footprint requiring prioritised infill drilling.

At Rosebery, resource extension and near mine exploration drilling during 2020 continued to indicate further extensions to the resource. Further work will be undertaken in 2021.

Additional information is available in the Company's 2020 Mineral and Ore Reserves Statement, which is available at

www.mmg.com

| PROJECT | HOLE TYPE | METERAGE (METRES) | NUMBER OF HOLES | AVERAGE LENGTH (METRES) |
|---|---|---|---|---|
| **Africa** | | | | |
| Kinsevere RAD50 | Diamond | 3,617 | 27 | 134 |
| | Reverse Circulation | 6,704 | 57 | 118 |
| **Americas** | | | | |
| Las Bambas | Diamond | 24,145 | 119 | 203 |
| | Reverse Circulation | 5,407 | 38 | 142 |
| **Australia** | | | | |
| Dugald River | Diamond | 57,384 | 388 | 148 |
| Rosebery | Diamond | 75,248 | 295 | 255 |
| | | | | |
| **Total** | | **172,505** | **924** | **187** |

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisition or disposal in the year ended 31 December 2020.

## EVENTS AFTER THE REPORTING DATE

Other than the matters outlined below and in other sections of the management discussion and analysis, 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.

1. As noted under contingent liabilities for tax, MLB received SUNAT's assessment notice for Peru - Withholding Taxes (2014/15) in connection with audits undertaken in respect of the 2015 tax year. MLB intends to appeal the assessments and not to pay the assessed amount to SUNAT pending resolution of the appeal.

2. Subsequent to the reporting date, New Century Resources Limited ("New Century") announced an agreement for a reduction in the Estimated Rehabilitation Cost ("ERC") with the Queensland Government's Department of Environment and Science (DES) for A$14.1 million. The Group currently holds a provision in respect of bank guarantee for the benefit of New Century, associated with the disposal of the Century Mine in 2017. In line with the reduction in the ERC, the bank guarantee liability is expected to reduce by approximately US$11.0 million during 2021.

## FINANCIAL AND OTHER RISK MANAGEMENT

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

### (a) Commodity price risk

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

During the year ended 31 December 2020, the Group entered into various commodity trades to hedge the sales prices for copper and zinc. This included hedging 110,300 tonnes of copper and 54,500 tonnes of zinc at prices ranging from US$6,392/tonne to US$6,750/tonne (copper) and US$2,381/tonne to US$2,395/tonne (zinc). Certain hedges will be settled in 2021 and the fair value of such derivatives is disclosed in the Financial Statements. The effective portion of such fair value movement, from hedge inception to date, has been recognised in other comprehensive loss amounting to US$5.5 million. A change in commodity prices during 2021 can result in a favourable or unfavourable financial impact for the Group during 2021.

The following table contains details of the hedging instrument used in the Group's hedging strategy:

| AT 31 DECEMBER 2020 | Term | Carrying amount of hedging instrument US$ million | Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness: Hedging instrument US$ million | Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness: Hedged item US$ million | Settled portion of hedging instrument realized losses US$ million | Hedging loss recognised in cash flow hedge reserve US$ million | Hedge ineffectiveness recognised in profit or loss US$ million |
|---|---|---|---|---|---|---|---|
| *Cash flow hedges:* | | | | | | | |
| Derivative financial liabilities | **January 2021 to March 2021** | **(7.9)** | **(7.9)** | **7.9** | **(6.8)** | **(5.5)** | **-** |

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

As at the reporting date, if the commodity prices increased/(decreased) by 10% and taking into account the commodity hedges, with all other variables held constant, the Group's post-tax loss/profit would have changed as set out below:

| | 2020 | | | 2019 | |
|---|---|---|---|---|---|
| **Commodity** | **Commodity price movement** | **(Decrease)/Increase in profit US$ million** | **Increase in OCI US$ million** | **Commodity price movement** | **Decrease in loss US$ million** |
| Copper | +10% | (11.0) | - | +10% | 44.0 |
| Zinc | +10% | 2.0 | (6.3) | +10% | 4.0 |
| **Total** | | **(9.0)** | **(6.3)** | | **48.0** |

| Commodity | Commodity price movement | Decrease in profit US$ million | Decrease in OCI US$ million | Commodity price movement | Increase in loss US$ million |
|---|---|---|---|---|---|
| Copper | -10% | (18.9) | - | -10% | (44.0) |
| Zinc | -10% | (2.0) | 6.3 | -10% | (4.0) |
| **Total** | | **(20.9)** | **6.3** | | **(48.0)** |

### (b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and the Group's borrowings are set out in the Financial Statements.

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

During the year ended 31 December 2020, MLB entered into a notional US$2,100 million 5-year amortising interest rate swap with respect to the floating 6-month LIBOR base rate applicable under its existing project facility, converting the floating rate to a fixed base rate. The main sources of hedge ineffectiveness are considered to be the effects of counterparty credit risks on the hedging instrument and uncertainty associated with benchmark interest rate reform. Further, if LIBOR rates become negative for a period of time, then this corresponding component of the hedging instrument will be ineffective from year two to year five. A floor is purchased on LIBOR at zero for the first year of the hedge instrument.

The following table contains details of the hedging instrument used in the Group's hedging strategy:

| | | | | Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness | | | | |
|---|---|---|---|---|---|---|---|---|
| **AT 31 DECEMBER 2020** | **Term** | **Notional amortising amount US$ million** | **Carrying amount of hedging instrument US$ million** | **Hedging instrument US$ million** | **Hedged item US$ million** | **Settled portion of hedging instrument realized losses US$ million** | **Hedging loss recognised in cash flow hedge reserve US$ million** | **Hedge ineffectiveness recognised in profit or loss US$ million** |
| *Cash flow hedges:* | | | | | | | | |
| Derivative financial liabilities[1] | **June 2020 - June 2025** | **2,020.0** | **(10.7)** | **(10.7)** | **10.7** | **(1.4)** | **(7.3)** | **-** |

1. During the year ended 31 December 2020, the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap with BOC Sydney. The purpose of the arrangement is to fix approximately half of the remaining interest rate exposure accompanying the floating interest rate MLB project facility (borrowings of US$4,068.6 million outstanding at 31 December 2020, maturing in June 2032) from CDB, ICBC, BOC Sydney and The Export-Import Bank of China for a period of 5 years. The interest rate swap hedge will amortise in line with the MLB project facility and swap the 6-month LIBOR exposure for a fixed rate (0.5568% in the first year and 0.5425% from the year two to year five).

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

At 31 December 2020 and 31 December 2019, if the interest rate had increased/(decreased) by 100 basis points, taking into account the interest rate swap, with all other variables held constant, post-tax profit/(loss) and other comprehensive income (OCI) would have changed as follows:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | +100 basis points | | -100 basis points | | +100 basis points | | -100 basis points | |
| **US$ MILLION** | **Increase/ (decrease) in profit after tax** | **Increase/ (decrease) in OCI** | **Increase/ (decrease) in profit after tax** | **Increase/ (decrease) in OCI** | **(Increase)/ decrease in loss after tax** | **(Increase)/ decrease in OCI** | **(Increase)/ decrease in loss after tax** | **(Increase)/ decrease in OCI** |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 1.3 | - | (1.3) | - | 1.5 | - | (1.5) | - |
| **Financial liabilities** | | | | | | | | |
| Borrowings (taking into account the impact of the interest rate swap) | (19.0) | 39.1 | (18.5) | (15.9) | (36.9) | - | 36.9 | - |
| **Total** | **(17,7)** | **39.1** | **(19.8)** | **(15.9)** | **(35.4)** | **-** | **35.4** | **-** |

## EFFECT OF BENCHMARK INTEREST RATES REFORM

Following the global financial crisis, the reform and replacement of benchmark interest rates such as US$ LIBOR became a priority for global regulators. It is expected that LIBOR will no longer be published after December 2021. There is currently uncertainty around the timing and precise nature of these changes. The Group's risk exposure that is directly affected by the interest rate benchmark reform is its borrowings at variable rates. The Group has hedged US$2,100.0 million of these borrowings with an amortising interest rate swap, and it has designated the swap as a cash flow hedge of the variability in cash flows of the debt. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. If, and when, LIBOR is replaced as the underlying variable rate applicable to the Group's borrowings, with an alternate benchmark rate, this may potentially impact the future interest payable on the Group's borrowings. The Group is closely monitoring the transition to new benchmark interest rates.

The Group's management has opted to early adopted Phase I and opted to early adopt Phase II of the Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform. In respect of the interest rate swap entered into by the Group, the amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships if it directly gets affected by benchmark interest rates reform. This will prevent hedge accounting from terminating but may result in hedge ineffectiveness. Any hedge ineffectiveness continues to be recorded in the consolidated statement of profit or loss.

### (c) Foreign exchange risk

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

Based on the Group's net monetary assets and financial liabilities at 31 December 2020 and 2019, a movement of the US dollar against the principal non-functional currencies illustrated below, with all other variables held constant, would cause changes in post-tax profit/(loss) as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Weakening of US dollar** | **Strengthening of US dollar** | **Weakening of US dollar** | **Strengthening of US dollar** |
| **US$ MILLION** | **(Decrease)/ increase in profit after tax** | **(Decrease)/ increase in profit after tax** | **(Increase)/ decrease in loss after tax** | **(Increase)/ decrease in loss after tax** |
| 10% movement in Australian dollar (2019: 10%) | (16.2) | 16.2 | (13.4) | 13.4 |
| 10% movement in Peruvian sol (2019: 10%) | (10.0) | 10.0 | 1.1 | (1.1) |
| **Total** | **(26.2)** | **26.2** | **(12.3)** | **12.3** |

### (d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, the majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. The aging analysis of the trade receivables is provided in the Financial Statements, and 100% of the balance is aged less than six months based on invoice date. The carrying amount of the Group's trade receivables at fair value through profit or loss is also disclosed in the Financial Statements, representing their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Investments in cash, short-term deposits and similar assets are with approved counterparty banks. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. There has been no change in the estimation techniques or significant assumptions made during the year ended 31 December 2020 in assessing the expected credit loss for these financial assets. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. Impairment is provided for where the credit risk is perceived to exceed the acceptable levels and there are concerns on recoverability of the relevant assets. Management considers cash and cash equivalents that are placed on deposit with financial institutions that hold a high-grade credit rating to be low credit risk financial assets.

The Group's most significant customers are CMN, Citic Metal Peru Investment Limited (CITIC Metal), and Trafigura Pte Ltd (Trafigura). Revenue earned from these customers as a percentage of total revenue was:

| | **2020** | **2019** |
|---|---|---|
| CMN | 37.9% | 36.4% |
| CITIC Metal | 18.3% | 16.9% |
| Trafigura | 14.6% | 14.0% |

The Group's largest debtor at 31 December 2020 was CMN, with a balance of US$121.1 million (2019: CMN with US$60.4 million) and the five largest debtors accounted for 85.0% (2019: 77.6%) of the Group's trade receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying. Credit risk by geographic region was:

| | **AT 31 DECEMBER** | |
|---|---|---|
| **US$ MILLION** | **2020** | **2019** |
| Asia | 297.5 | 157.7 |
| Europe | 67.9 | 65.7 |
| Australia | 0.6 | 5.6 |
| Other | 3.2 | 11.6 |
| | **369.2** | **240.6** |

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

### (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 financial information to ensure that appropriate liquidity buffers are maintained to support the Group's activities.

The table below analyses the Group's non-derivative financial assets and liabilities by relevant maturity groupings based on the remaining period to contractual maturity as at the reporting date. The amounts disclosed in each maturity grouping are the contractual undiscounted cash flows for non-derivative financial instruments.

| US$ MILLION | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total | Total carrying value |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 192.7 | - | - | - | **192.7** | **192.7** |
| Trade receivables | 369.2 | - | - | - | **369.2** | **369.2** |
| Other receivables | 139.4 | 23.4 | 16.7 | 5.8 | **185.3** | **185.3** |
| Other financial assets | 1.7 | - | - | - | **1.7** | **1.7** |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (470.2) | (112.2) | - | - | **(582.4)** | **(582.4)** |
| Other financial liabilities | - | - | - | (145.4) | **(145.4)** | **(145.4)** |
| Borrowings (including interest) | (1,152.6) | (969.2) | (4,418.1) | (1,999.6) | **(8,539.5)** | **(7,179.5)** |
| Lease liabilities (including interest) | (33.0) | (29.7) | (57.0) | (113.4) | **(233.1)** | **(148.7)** |
| Derivative financial liabilities | (35.8) | (6.0) | 1.7 | - | **(40.1)** | **(40.0)** |
| | **(988.6)** | **(1,093.7)** | **(4,456.7)** | **(2,252.6)** | **(8,791.6)** | **(7,347.1)** |

| US$ MILLION | Within 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total | Total carrying value |
|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 217.5 | - | - | - | **217.5** | **217.5** |
| Trade receivables | 240.6 | - | - | - | **240.6** | **240.6** |
| Other receivables | 83.6 | 92.9 | - | - | **176.5** | **176.5** |
| Other financial assets | 3.1 | - | - | - | **3.1** | **3.1** |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (591.3) | - | - | - | **(591.3)** | **(591.3)** |
| Other financial liabilities | - | - | - | (135.7) | **(135.7)** | **(135.7)** |
| Borrowings (including interest) | (1,157.0) | (1,650.5) | (3,388.5) | (3,392.9) | **(9,588.9)** | **(7,628.3)** |
| Lease liabilities (including interest) | (36.5) | (28.5) | (64.0) | (128.6) | **(257.6)** | **(160.8)** |
| | **(1,240.0)** | **(1,586.1)** | **(3,452.5)** | **(3,657.2)** | **(9,935.8)** | **(7,878.4)** |

### (f) Sovereign risk

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates, changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in governments seeking alternative means of increasing their income, including increases to corporate tax, VAT and royalty rates, coupled with increased audit and compliance activity. The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and continue to result in an increased tax burden on mining companies.

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

## CONTINGENT LIABILITIES

### BANK GUARANTEES

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the reporting period, no material claims have been made under these guarantees.

The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities. At 31 December 2020, these guarantees amounted to US$417.7 million (2019: US$373.4 million).

The Group has a A$230.0 million (2019: A$200.0 million), revolving bank guarantee facility with Bank of China Sydney, which is guaranteed by CMN. MMG has entered into a counter-indemnity agreement in favour of CMN for the maximum principal amount outstanding under the BG Facility.

Following the sale of Century mine in 2017, the Group has procured certain bank guarantees amounting to US$145.4 million (2019: US$135.7 million) for the benefit of New Century until 31 December 2023. New Century is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees. New Century must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In 2020, New Century sold its 49% interest in Lawn Hill and Riversleigh Pastoral Holding Company. In line with the Bank Guarantee Support Agreement in place with New Century, the bank guarantee has been reduced by US$3.7 million (A$4.8 million), representing 50% of the proceeds from such sale.

### TAX RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. The nature of the Group's activities requires it to comply with various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production-based taxes, environmental taxes and employment related taxes. Application of tax laws and interpretation of tax laws may require judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group's cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. Additionally, the Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru, Zambia and the DRC. No disclosure of an estimate of financial effect of the subject matter has been made in the consolidated financial statements as, in the opinion of the management, such disclosure may seriously prejudice the position of the Group in dealing with these matters.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The status of proceedings for such uncertain tax matters will impact the ability to determine the potential exposure and, in some cases, it may not be possible to determine a range of possible outcomes, including timing of resolution or determining a reliable estimate of the potential exposure.

### Peru – Withholding Taxes (2014/15)

Included within such uncertain tax matters is an audit of the 2014 tax year for MLB in relation to withholding taxes on fees paid under certain loans, which were provided to MLB pursuant to facility agreements entered into among MLB and a consortium of Chinese banks in connection with the acquisition of the Las Bambas mine in 2014. MLB received an assessment notice (the "2014 Initial Assessment") in July 2020 from the Peruvian tax authority (National Superintendence of Tax Administration of Peru or "SUNAT"), which advised that, in its opinion, MLB and the Chinese banks are related parties and thus a 30% withholding tax rate ought to be imposed rather than the 4.99% applied. The 2014 Initial Assessment of omitted tax is PEN 60,687,851 (approximately US$17.3 million). The total 2014 Initial Assessment of omitted tax plus penalties and interest imposed by SUNAT is PEN 154,193,808 (approximately US$44.0 million).

On 10 December 2020, SUNAT issued assessments to MLB for December 2014 tax year (the "2014 Supplementary Assessment") in the amount of PEN 44,836,952 (approximately US$13.0 million). This amount included interest until the estimated date of Peru Tax Court resolution, which is expected by June 2025. On 18 February 2021, MLB received assessment notices from SUNAT in connection with audits undertaken in respect of the 2015 tax year (the "2015 Assessment") in the amount of PEN 521,152,714 (approximately US$149.0 million). The 2015 Assessment and 2014 Supplementary Assessment are based upon the same interpretation of Peruvian tax law by SUNAT as the 2014 Initial Assessment.

In relation to these assessments, having received external legal and tax advice, the Group has formed the view that the Company and its controlled entities are not related parties to Chinese banks under Peruvian tax law. MLB notes that the Peruvian tax law was amended to apply from October 2017 onwards to provide expressly that parties are not related by being under state ownership for the purposes of withholding taxes. MLB intends to appeal the assessment and not to pay the assessed amounts to SUNAT pending resolution of the appeal. SUNAT could potentially bring a similar challenge regarding the rate of withholding tax applied by MLB in the 2016 tax years and the part of the 2017 tax year before the amendment to the Peruvian tax law. Where MLB is not successful in rebutting or appealing such challenge(s), this could result in significant additional tax liabilities.

### Peru – VAT refund claims (2011/12)

Included as an uncertain tax matter is the decision from the Peru Tax Court in relation to SUNAT's audit of MLB's VAT refund claims in the 2011 and 2012 years. SUNAT conducted an audit of MLB's tax affairs of the 2011 and 2012 financial years and challenged certain VAT matters. SUNAT disallowed MLB's claim, despite MLB providing a substantial amount of documentary evidence to support its position during and after the audit, which MLB is of the opinion it is entitled to do, pursuant to Peruvian law. These matters were subsequently referred to the Peru Tax Court for further determination. The Peru Tax Court heard these matters on 15 August 2018, and informed MLB of its decision on 14 October 2020.

The Peru Tax Court upheld a majority of the assessment by SUNAT that US$187 million of VAT, penalties and interest has been correctly assessed in respect of the 2011 and 2012 financial years when the Las Bambas mine was under the ownership of Glencore plc. On 26 October 2020, SUNAT issued a new assessment. The Group is contesting the calculation of the new assessment. Following the tax court ruling on the amount, payment will be required.

MLB has appealed the judgment. Appeals in the Peruvian Judiciary System may take several years to resolve.

The assessed amount relates to the pre-closing period under the agreement signed with Glencore in 2014 which clarified MMG can pursue indemnity and warranty claims against Glencore due to the matters before 2014 ("Share Purchase Agreement") entered into with Glencore plc in respect of the acquisition of the Las Bambas mine, transacted by MMG with Glencore in 2014 ("Las Bambas Project") in July 2014 and, if any assessed amount were to become payable, MLB may seek reimbursement of some or all of the amount from Glencore plc by way of indemnity or warranty claims under that agreement.

The Group continues to proactively cooperate with the relevant taxation authorities and to actively manage these audits and reviews. Where appropriate, the Group has filed appeals with either the relevant tax authority or the tax court. For all such open tax matters that the Group presently has, any ultimate obligation would depend on future resolution of the matters and currently, a payment is either not probable or cannot be measured reliably. As such, no provision has been reflected in the consolidated financial statements for such tax matters.

### OTHER CONTINGENCIES

Mining Company Katanga SARL ("MCK") filed a claim against MMG Kinsevere SARL ("MMG Kinsevere"), a subsidiary of the Group, to compensate MCK for losses suffered as a result of Kinsevere's decision to not renew or extend the mining services contract with its associate entity MCK Trucks (then known as NB Mining SA) in 2018 on the basis that MCK was entitled to a "life of mine" agreement with Kinsevere.

MCK is seeking an award of losses suffered and punitive damages. MMG Kinsevere and the Company regard the claim as unfounded and opportunistic, and the amount claimed as completely disproportionate to the losses that could reasonably have been suffered. The Group is vigorously contesting the claim. Court proceedings between MMG Kinsevere and MCK in the DRC are continuing. MCK obtained freezing orders in February 2020 over certain assets of Kinsevere, which have been partly enforced over US$15.0 million cash held in bank accounts in the DRC.

Considering the uncertainty around this matter and the fact that there is no present obligation for Kinsevere to make any payments, nor such payment being reliably estimated at this time, no provision has been recognised for this matter.

## RE-CLASSIFICATION

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the presentation of the current period consolidated financial statements. These reclassifications had no effect on the previously reported total comprehensive loss for the year.

## CHARGES ON ASSETS

At 31 December 2020, certain borrowings of the Group were secured as follows:

1. Approximately US$4,307.6 million (2019: US$4,852.1 million) from China Development Bank, ICBC, BOC Sydney and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including MLB, a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of MLB, assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of MLB. Approximately US$239.0 million (2019: US$469.0 million) of these borrowings are guaranteed on a several basis by China Minmetals Non-ferrous Metals Holding Company Limited, Guoxin International Investment Corporation Limited and CITIC Corporation Limited in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in the Las Bambas Joint Venture Group.

2. Approximately US$342.2 million (2019: US$398.6 million) from China Development Bank and BOC Sydney was substantively secured by the shares and assets of MMG Dugald River Pty Ltd. This consists of a charge over the shares in MMG Dugald River, a real property mortgage over all of the interests in land of MMG Dugald River, a general security agreement in respect of all of the assets of MMG Dugald River, and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project, and a featherweight charge over all of MMG Australia Limited's other assets. This borrowing is guaranteed by CMC.

3. Approximately US$92.5 million (2019: nil) from ICBC Peru Bank, Banco de Crédito del Peru and Scotiabank Peru secured by mine fleet equipment procured under asset finance arrangements.

# MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

## FUTURE PROSPECTS

MMG's vision is to build the world's most respected mining company. We mine to create wealth for our people, host communities and shareholders with an ambition to double the size and value of MMG, and then double again by 2030. MMG has established strong foundations that support future growth and development. The Board is committed to sustaining the successful model that brings together the best fit management team and a strong relationship with China that draws upon the strength of the world's largest commodities consumer, provides deep understanding of markets and access to its sources of funding.

The Company is focused on containing costs, continually improving productivity, growing its resource base and strengthening the balance sheet. This will enable the Company to step into its next phase of disciplined growth.

In 2021, MMG expects to produce between 360,000 and 390,000 tonnes of copper and between 240,000 and 260,000 tonnes of zinc.

Las Bambas copper production in 2021 will continue to be impacted by COVID-19 and delays incurred during 2020 with respect to key development projects and commencement of mining at Chalcobamba. Las Bambas copper volumes are expected to recover from 2022 onwards, with average annual production of approximately 400,000 tonnes anticipated over the period 2022 to 2025. The Las Bambas tenements are highly prospective in nature, as demonstrated by positive early drilling results at the Chalcobamba Southwest Zone which are expected to drive expansion of the Chalcobamba pit design. Other greenfield exploration targets in the area will continue to be pursued in 2021.

In the DRC, the Company has built a valuable skill base in a world-leading copper province, established practices for the development and processing of third-party and satellite deposits and derived valuable in-country operating knowledge as part of the Kinsevere project. The Company continues to investigate options to extend the life of Kinsevere with a final investment decision anticipated in the first half of 2021 regarding the next phase of development of the Kinsevere project. This potential development includes the addition of a sulphide ore and cobalt processing circuit alongside the existing oxide circuit. Should it proceed, this project will enhance the value of MMG's operations in the DRC, provide an entry for the Company into the cobalt market, and enhance optionality for future potential investments in country. It is anticipated that the project would result in a return to annual copper cathode production of around 80,000 tonnes per year and annual cobalt production of between 3,000 and 5,000 tonnes per year. The project will also add approximately ten years to the life of the Kinsevere mine. This work is in addition to the continuation of regional exploration programs focused on proving up discoveries within a 50-kilometre radius of the Kinsevere mine.

In 2021, the Company will continue to progress its successful ramp-up of Dugald River, taking advantage of works carried out in 2020 to achieve increased mine output, enhanced processing performance and ultimately higher production. This work, together with a 14% increase in Dugald River's primary zinc resource following successful early drilling, positions Dugald River to achieve its stated target of sustained mine capacity in excess of two million tonnes per annum by 2022 and zinc production approaching 200,000 tonnes annually. It also supports the possibility of either mine life extension or expansion of the Dugald River operation. At Rosebery, work directed at extending the current mine life will continue to be pursued, including resource extension drilling and analysis of tailings disposal strategies.

Total capital expenditure in 2021 is expected to be between US$750.0 million and US$800.0 million. Of this, approximately US$650.0 million is attributable to Las Bambas, including approximately US$250.0 million related to capitalised deferred stripping activity. Costs related to the development of Chalcobamba, completion of the third ball mill project and expansion of the Las Bambas tailings dam facility, much of which was originally expected to fall in 2020 but was deferred as a result of COVID-19, all contribute to this higher level of capital expenditure. Capital expenditure for the Group is expected to reduce over subsequent years, to approximately US$450.0 million (US$650.0 million inclusive of capitalised mining) per annum. These figures do not include costs associated with the next phase of development at Kinsevere, details of which will be announced if and when the project receives formal approval.

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.

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS' BIOGRAPHIES

### CHAIRMAN

#### MR GUO WENQING

Mr Guo, aged 56, was appointed as a Non-executive Director and the Chairman of the Company in February 2017.

Mr Guo is a director and the President of China Minmetals Corporation (CMC), the Chairman of China Minmetals Corporation Limited (CMCL), as well as the Chairman of China Metallurgical Group Corporation (MCC Group) since May 2016, June 2018 and August 2014, respectively.

Mr Guo graduated from Hebei University of Science and Technology in the People's Republic of China (PRC) with a Bachelor's degree in Business Administration. He also holds an executive MBA degree from Tsinghua University in the PRC.

From 1994 to 2002, Mr Guo served as the deputy director and, subsequently, the director of Hebei Province Highways Authority, the Chairman and the General Manager of Hebei Province Highways Development Company Limited, and the director of Hebei Province Ports Authority. From 2002 to 2008, he served as an executive director and the Deputy General Manager of CRBC International Co., Ltd. From December 2008 to July 2012, Mr Guo served as a director of Metallurgical Corporation of China Ltd. (MCC) (a company listed on The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange) and the Shanghai Stock Exchange), and a director of MCC Group. From July 2012 to August 2014, he held positions as the Vice Chairman and the General Manager of MCC Group. Mr Guo served as the Chairman of MCC since September 2013. From August 2014 to April 2015, he served as the General Manager of MCC Group.

### EXECUTIVE DIRECTOR

#### MR GAO XIAOYU

Mr Gao, aged 51, was appointed as the Chief Executive Officer (CEO) of the Company and redesignated from a Non-executive Director to an Executive Director of the Company in August 2018. He served as a Non-executive Director of the Company from April 2011 to July 2018. Mr Gao was a member of the Company's Audit Committee, Governance and Nomination Committee, Remuneration Committee and Risk Management Committee from May 2013, February 2017, August 2015 and October 2015 to July 2018 respectively. He is also a director of a subsidiary of the Company.

Mr Gao was appointed as a director of China Minmetals Non-ferrous Metals Company Limited (CMN) in February 2016. He is a director of certain subsidiaries of CMC, including Top Create Resources Limited (Top Create) since February 2012.

Mr Gao holds a Master's degree in Business Management from The Renmin University of China in the PRC. He has extensive experience in enterprise risk management and control.

Mr Gao joined the CMC and its subsidiaries (CMC Group) in 1993. He worked in the Futures department of China Nonferrous Metals Import and Export Corporation from 1993 to 1997. Mr Gao was the General Manager of the Risk Management department of CMN from 2000 to 2009, the Vice President of CMN from January 2008 to February 2016 and the President of CMN from February 2016 to August 2018. He was also the Vice President of China Minmetals Non-ferrous Metals Holding Company Limited (CMNH) from January 2011 to January 2016. Mr Gao was the Chairman of Album Enterprises Limited (Album Enterprises) from May 2016 to April 2020 and the Chairman of Copper Partners Investment Co., Ltd. (Copper Partners Investment) from July 2016 to May 2020 respectively.

### NON-EXECUTIVE DIRECTORS

#### MR JIAO JIAN

Mr Jiao, aged 52, was redesignated from an Executive Director and CEO to a Non-executive Director of the Company in August 2018. Prior to his redesignation, he was an Executive Director and the CEO of the Company from February 2017 to July 2018, the Chairman of the Company from August 2014 to February 2017 and a Non-executive Director of the Company from December 2010 to February 2017. Mr Jiao is a member of the Company's Governance, Remuneration and Nomination Committee.

Mr Jiao was reappointed as Vice President of CMC and designated as director and the President of CMCL in August 2018. He was appointed as the Chairman of CMN in February 2016, and has been a director of CMN since December 2009. Mr Jiao has also been a director of Hunan Nonferrous Metals Holding Group Co., Ltd (HNG) since July 2010.

Mr Jiao holds a Bachelor's degree in International Economics from the Nankai University in the PRC and a Master's degree in Business Administration from Saint Mary's University in Canada. He has extensive experience in

# DIRECTORS AND SENIOR MANAGEMENT CONTINUED

international trade, investment and corporate management.

Mr Jiao joined the CMC Group in 1992. He was the Vice President of CMN from 2007 to May 2010. Mr Jiao was the President of CMN from May 2010 to January 2016. He was a director and the President of CMNH from December 2009 to February and January 2016, respectively. Mr Jiao was the Vice President of CMC from December 2015 to January 2017. He was also a director of China Minmetals H.K. (Holdings) Limited (Minmetals HK) from August 2016 to March 2017.

Mr Jiao was the Chairman of China Minmetals Rare Earth Co., Ltd (a company listed on the Shenzhen Stock Exchange) and China Tungsten and Hightech Materials Co., Ltd. (a company listed on the Shenzhen Stock Exchange) from April 2010 to April 2014 and from April 2013 to March 2014 respectively. He was a director of Jiangxi Tungsten Industry Group Co., Ltd. and China Minmetals Rare Earth Group Co., Ltd from November 2009 to August 2014 and from December 2011 to September 2016 respectively. Mr Jiao was also the Chairman of Album Enterprises and a director of Top Create from November 2011 to May 2016 and from February 2012 to May 2016 respectively. He resigned as the Chairman of Copper Partners Investment in July 2016.

### MR ZHANG SHUQIANG

Mr Zhang, aged 54, was appointed as a Non-executive Director of the Company in February 2017. He is a member of the Company's Audit and Risk Management Committee.

Mr Zhang has been the General Manager of the Finance Department of CMC since January 2016, a director of CMNH and CMN since February 2016, and a director of Minmetals HK since August 2016. He was appointed as the Chairman of Minmetals Finance Co., Ltd. in September 2018. Mr Zhang was the Vice Chairman and a director of Xiamen Tungsten Co. Ltd (a company listed on the Shanghai Stock Exchange) from January 2014 to December 2014. He was also a director of HNG from August 2013 to January 2017 and a director of China Tungsten and Hightech Materials Co., Ltd. (a company listed on the Shenzhen Stock Exchange) from June 2016 to November 2018.

Mr Zhang graduated from Zhejiang Metallurgical Economy College in the PRC, majoring in Financial Accounting. He also obtained a Master's degree in Economics from Wuhan University of Technology in the PRC.

Mr Zhang started his career at China National Nonferrous Metals Import and Export Corporation, working as the Financial Accountant since 1987. From 1997 to 2000, he served as the Deputy Chief of the Finance Division of China National Nonferrous Metals Industry Trading Group Corporation. From 2000 to 2002, Mr Zhang served as the Assistant General Manager of the Finance Department of China National Nonferrous Metals Industry Trading Group Corporation. He also served as the Assistant General Manager (from April 2002 to March 2003) and the Deputy General Manager (from March 2003 to October 2005) of the Finance Department of CMN. From October 2005 to May 2013, Mr Zhang was the Deputy General Manager of the Finance Department of CMC. From May 2013 to December 2015, he served as the Vice President and the Chief Financial Officer (CFO) of CMN and CMNH. From December 2015 to January 2016, Mr Zhang was the acting Deputy General Manager of the Finance Department of CMC. From December 2016 to August 2018, he was a director of Minmetals Development Co., Ltd. From April 2017 to May 2020, Mr Zhang was a director of Minmetals Capital Co., Ltd. and from July 2017 to June 2020, he was a director of Minmetals Innovative Investment Co., Limited.

### MR XU JIQING

Mr Xu, aged 53, was redesignated from an Executive Director to a Non-executive Director of the Company with effect from 1 January 2020. Prior to his redesignation, he was an Executive Director and Executive General Manager of the Company from May 2013 to December 2019 with responsibility for various areas, most recently China Relations, Marketing and Supply. Mr Xu was also a Non-executive Director of the Company from May 2009 to May 2013. He is a member of the Company's Audit and Risk Management Committee and the Governance, Remuneration and Nomination Committee.

Mr Xu was appointed as President of CMN in January 2020. He has been a director of CMN since February 2016.

Mr Xu holds a Bachelor's degree in Accounting from the University of International Business and Economics in the PRC, and a Master's degree in Business Administration from Saint Mary's University in Canada. He is a qualified senior accountant in the PRC, a fellowship member of the Certified General Accountants Association of Canada and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada. Mr Xu has extensive experience in strategic planning, accounting, marketing and corporate financial and risk management.

Mr Xu joined the CMC Group in 1991, holding a number of management roles from 1997 in various Finance departments. He was the Vice President and CFO of CMN between 2005 and 2013.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### DR PETER CASSIDY

Dr Cassidy, aged 75, was appointed as an Independent Non-executive Director of the Company in December 2010. He is the Chairman of the Company's Governance, Remuneration and Nomination Committee and a member of Audit and Risk Management Committee.

Dr Cassidy is a metallurgical engineer with more than 45 years' experience in the resource and energy sectors, including more than 25 years as a director of major public companies. He was an independent non-executive director of Oxiana Limited (2002 to 2007); Zinifex Limited (2004 to 2008); Sino Gold Mining Limited (2002 to 2009); Lihir Gold Limited (2003 to 2010); OZ Minerals Limited (2008 to 2009); Energy Developments Limited (2003 to 2009) and Kerry Gold Mines Limited (2010 to 2018).

Dr Cassidy was also non-executive Chairman of Allegiance Mining NL (April to July 2008) and a director of Eldorado Gold Corporation (2009 to 2010). He was CEO of Goldfields Limited from 1995 until its merger with Delta Gold Limited in 2002 to form Aurion Gold Limited where he remained a director until 2003. Prior to 1995, Dr Cassidy was executive director - Operations of RGC Limited. He was also a member of the Board of Advice of the Monash University Division of Mining and Resources Engineering.

Dr Cassidy has most recently been involved in the development and operation of major mining and processing projects in Australia, the PRC, Laos, Papua New Guinea and the Cote d'Ivoire.

### MR LEUNG CHEUK YAN

Mr Leung, aged 69, was appointed as an Independent Non-executive Director of the Company in July 2012. He is a member of the Company's Audit and Risk Management Committee and Governance, Remuneration and Nomination Committee.

Mr Leung is a solicitor admitted to practise law in Hong Kong, England and Wales, and Victoria and the Australian Capital Territory in Australia. He holds a Bachelor of Social Science (First Class Honours) degree from the Chinese University of Hong Kong, and a Master of Philosophy degree from the University of Oxford. Mr Leung, a corporate finance and capital markets specialist, was a partner at Baker & McKenzie and for many years the head of its securities practice group in Hong Kong. He retired from Baker & McKenzie in 2011.

Mr Leung was an independent non-executive director of Bank of China Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from September 2013 to September 2019.

### MR CHAN KA KEUNG, PETER

Mr Chan, aged 69, was appointed as an Independent Non-executive Director, the Chairman of the Audit and Risk Management Committee and a member of the Governance, Remuneration and Nomination Committee of the Company in December 2019.

Mr Chan has been an independent non-executive director of China Railway Signal & Communication Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) since August 2018.

Mr Chan graduated from Hong Kong Polytechnic majoring in accounting. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of the United Kingdom, an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) of the United Kingdom, and a member of CPA Australia.

From January 1994 to December 2008, Mr Chan served as Beijing-based managing partner of the Tax and Investment Advisory Service Department and then managing partner of the NPA Transaction Advisory Service Department of Ernst & Young. He also served as member of the executive committee of the Hong Kong Chamber of Commerce in China from 1996 to 2003 and the Chairman of Hong Kong Chamber of Commerce in China in 2000 and 2003.
Mr Chan was an independent non-executive director of CRRC Corporation Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from May 2015 to May 2018. He was also an independent non-executive director of Metallurgical Corporation of China Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) from November 2014 to April 2020.

# DIRECTORS AND SENIOR MANAGEMENT CONTINUED

## BIOGRAPHIES OF SENIOR MANAGEMENT

### MR ROSS CARROLL, CHIEF FINANCIAL OFFICER

Mr Carroll, aged 56, was appointed as CFO and a member of the Executive Committee of the Company in December 2015, with responsibility for Finance, Legal, Risk and Audit, Mergers and Acquisitions, and Project Services. He is also a director of a number of subsidiaries of the Company.

Prior to joining the Company, Mr Carroll was CEO and Managing Director of Macmahon Holdings Limited (a company listed on the Australian Securities Exchange), and previously held the positions of CFO and director of International Mining, and Chief Operating Officer of Mining at Macmahon Holdings Limited. Prior to that, he was CFO of Woodside Petroleum Limited, and also worked in senior financial roles within BHP Billiton Limited.

Mr Carroll has extensive experience in the mining industry and in corporate finance, capital management and business development. He holds a Bachelor's degree in Commerce from the University of Melbourne and is a Certified Public Accountant with the Australian Society of Certified Practising Accountants. Mr Carroll is a member of the Australian Institute of Company Directors and was previously a member of the Executive Committee of the Western Australian Chamber of Mines.

### MR TROY HEY, EXECUTIVE GENERAL MANAGER – CORPORATE RELATIONS

Mr Hey, aged 50, has served on the Executive Committee of the Company since August 2013 in his capacity as the Executive General Manager – Stakeholder Relations. His present role title is Executive General Manager – Corporate Relations. In this role, he is responsible for Stakeholder Relations, Corporate Affairs, Human Resources, Global Business Services and Technology. He is also a director of a number of subsidiaries of the Company.

Prior to joining the Company as General Manager – Stakeholder and Investor Relations in April 2011, Mr Hey was the General Manager – Media and Reputation at Foster's Group since 2005. He was previously the Group Manager – Public Affairs for WMC Resources Limited, up to its acquisition by BHP Billiton Limited in 2005. Mr Hey began his career in economic and public policy consultancy at the Allen Consulting Group and Australian Centre for Corporate Public Affairs, before working across the aviation, entertainment and mining sectors.

Mr Hey has over 20 years' experience in government, media, community and investor relations, economic and public policy, industry association and communications management.

Mr Hey has dual degrees in Law and Commerce from the University of Melbourne and is the recipient of an Australia-Japan Foundation Language Scholarship at Kwansei Gakuin University, Nishinomiya, Japan.

### MR WEI JIANXIAN, EXECUTIVE GENERAL MANAGER – AMERICAS

Mr Wei, aged 55, has served on the Executive Committee of the Company since December 2019 in his capacity as the Executive General Manager – Americas. He is also a director of a number of subsidiaries of the Company.

Mr Wei was appointed as a director and the Chairman of Lumina Copper SAC in October 2020.

Prior to joining the Company, Mr Wei was the President of Minmetals Mining Holdings Limited. He previously held the positions of the President of Minmetals Hanxing Mining Co., Ltd and the President of Anhui Kaifa Mining Co., Ltd., managing the construction and operation of one of the China's largest underground mines.

Mr Wei has over 30 years of both open pit and underground mining experience covering operations management and mine planning.

Mr Wei is a Professoriate Senior Engineer of Mining and holds a Bachelor's degree in Mining Engineering from The Beijing Institute of Iron and Steel Engineering (now known as University of Science and Technology Beijing) in the PRC.

### MR LI LIANGANG, EXECUTIVE GENERAL MANAGER – AUSTRALIA AND COMMERCIAL

Mr Li, aged 56, has served on the Executive Committee of the Company since January 2020 in his capacity as the Executive General Manager – Commercial. His present role title is Executive General Manager – Australia and Commercial with responsibilities for the Dugald River and Rosebery operations and Australia support functions and also Supply and Marketing.

Mr Li joined CMC in 1987. He has held various senior management positions with subsidiaries of CMC in the PRC, Australia, Mexico and the USA. Mr Li was also a Director of the Company from 2009 to 2012. He was a Vice President of CMN in Beijing, leading several global trading departments from 2016 to 2018. Mr Li was the President and CEO of Minmetals Inc. (L.A.) from 2018 to 2019.

Mr Li has extensive experience in international business and the non-ferrous metals industry.

Mr Li holds a Bachelor's degree in English language from the Normal College for Foreign Language of Beijing Union University in the PRC.

# DIRECTORS' REPORT

The Board of Directors of the Company (Board) is pleased to present the Annual Report together with the audited Financial Statements of the Group for the year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were exploration, development and mining of zinc, copper, gold, silver and lead deposits around the world.

The full details of the principal activities of the Company's subsidiaries are set out in Note 15 to the Consolidated Financial Statements.

An analysis of the Group's revenue for the year ended 31 December 2020 by reportable segments, together with their respective contributions to profit from operations (EBIT), is set out in Note 4 to the Consolidated Financial Statements.

## STRATEGY AND BUSINESS REVIEW

MMG's vision is to build the world's most respected mining company. We mine to create wealth for our people, host communities and shareholders with an ambition to double the size and value of MMG, and then double again by 2030.

MMG has established strong foundations that support future growth and development. The Company has four strategic drivers that are embedded into corporate planning and decision-making processes:

– China Champion: Building on the strength of the world's largest consumer of metals and mineral resources to create a sustainable competitive advantage.
– Business Miner: Adopting a mindset that leverages excellence in owning and operating mines to generate superior returns on investment, enhancing our ability to fund and deliver future growth.
– Federation of MMG: Embracing the advantages of an empowered and diverse operating structure with core group disciplines and guiding values that drive a unique way of working across our international footprint.
– Delivering Progress: Taking pride in mining's role in driving social progress through local, regional and national contributions and delivering materials for a changing world.

Aligned with achievement of its ambitions, the Company is structured along the following lines:

– Operations: Largely self-sufficient sites, with regional offices driving local efficiencies.
– Group operations support: A limited number of experts in areas critical to the operation of the global asset base.
– Global services: Lowest cost delivery of truly global and shared activities.
– Corporate: A lean corporate office, based in Melbourne and Beijing, focused on only what is needed to operate and govern a listed business and deliver inorganic growth.

The Board is committed to sustaining the successful model that brings together the best fit management team and a strong relationship with China that draws upon the strength of the world's largest commodities consumer, provides deep understanding of markets and access to its sources of funding. A new Beijing office was established in 2020 to pursue greater benefits from MMG's China Champion strategy.

The Company is focused on containing costs, continually improving productivity, growing its resource base and strengthening the balance sheet. This will enable the Company to step into its next phase of disciplined growth.

A review of the business of the Group during the year, possible risks and uncertainties that the Group may be facing, and a discussion on the Group's future business development are provided in the Chairman's Review, CEO's Report and the Management Discussion and Analysis sections.

In addition to financial performance, the Group maintains a belief that a high standard of corporate social responsibility is essential for building good corporate and social relationships, motivating staff and creating sustainable returns. Further discussion on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group is provided at pages 83 to 89 of this Annual Report.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the largest customer and the five largest customers in aggregate accounted for approximately 36.5% and approximately 78.1% of the total sales of the Group respectively. Purchases from the five largest suppliers to the Group in aggregate accounted for approximately 19.2% of the total purchases of the Group during the year.

# DIRECTORS' REPORT CONTINUED

Apart from CMC, the ultimate controlling Shareholder, having an interest of approximately 88.4% in two of the five largest customers, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors, owned more than 5% of the total number of issued shares of the Company) had any beneficial interest in any of the five largest customers or suppliers of the Group.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss in the Financial Statements on page 97 of this Annual Report.

No interim dividend was declared for 2020 (2019: nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

## RESERVES

Movements in reserves of the Group during the year are set out in Note 23 to the Consolidated Financial Statements.

## DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2020 are set out in Note 23 to the Consolidated Financial Statements.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 12 to the Consolidated Financial Statements.

## BORROWINGS

Particulars of borrowings of the Group, as at 31 December 2020, are set out in Note 24 to the Consolidated Financial Statements.

During 2020, the Company and its subsidiaries continued to maintain loan agreements that included conditions imposing specific performance obligations on a controlling Shareholder. A breach of such an obligation would cause a default in respect of loans that are significant to the operations of the issuer, the details of which are set out below.

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

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

1. **Facilities granted by China Development Bank and Bank of China Limited, Sydney Branch to MMG Dugald River**

   On 27 June 2013, the Company, MMG Dugald River and certain other subsidiaries entered into a facility agreement with CDB and BOC Sydney in relation to the financing of the development and construction of the Dugald River project for an amount up to US$1.0 billion (Dugald River Facility). On 27 June 2016, the parties to the Dugald River Facility entered into an amendment agreement pursuant to which the Dugald River Facility was reduced to US$550.0 million. On 9 January 2018, the Dugald River Facility was further amended to, among other things, reduce the security arrangements and relax covenant compliance requirements. The Dugald River Facility was available for drawdown until 27 June 2018, and is to be repaid by 28 June 2026. As at 31 December 2020, the amount of US$342.2 million was outstanding under the Dugald River Facility.

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

   – CMCL ceases to legally and beneficially own, directly or indirectly, at least 51% of the total number of issued shares of the Company; or

   – CMCL ceases to have the power to:

     (a) cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of the Company; or

     (b) appoint or remove all, or the majority, of the directors or other equivalent officers of the Company; or

     (c) give directions with respect to the Company's operating and financial policies with which the directors or other equivalent officers of the Company are obliged to comply.

**2. Facility granted by Industrial and Commercial Bank of China Limited to MMG Finance Limited**

On 22 December 2017, MMG Finance Limited entered into a facility agreement (2017 ICBC Facility) pursuant to which ICBC agreed to provide MMG Finance Limited with a US$300.0 million revolving credit facility for a term of three years for general corporate purposes. The 2017 ICBC Facility was repaid in full, and was terminated, on 23 June 2020, at which time the amount of US$200.0 million was outstanding.

On 21 December 2020, MMG Finance Limited entered into a new facility agreement (2020 ICBC Facility) pursuant to which ICBC agreed to provide MMG Finance Limited with a US$300.0 million revolving credit facility for a term of three years for general corporate purposes. As at 31 December 2020, the 2020 ICBC Facility was undrawn.

Under each of the 2017 ICBC Facility and 2020 ICBC Facility, an event of default would occur in the event that the Company ceased to be a subsidiary of CMN, or MMG Finance Limited ceased to be a wholly owned subsidiary of the Company, and the lender was entitled to declare all outstanding loans under the facilities immediately due and payable.

**3. Facilities granted by Bank of China Limited, Sydney Branch and Industrial and Commercial Bank of China Limited, Luxembourg Branch to Minera Las Bambas S.A.**

On 21 August 2019, Minera Las Bambas S.A. entered into a US$175.0 million three-year revolving loan facility for its operational funding requirements with each of BOC Sydney and ICBC Luxembourg (2019 Facilities). As at 31 December 2020, both of the 2019 Facilities were undrawn.

Under the 2019 Facilities, on the occurrence of the following events, BOC Sydney and/or ICBC Luxembourg may, by not less than 5 days' notice to Minera Las Bambas S.A., cancel commitments and declare all outstanding loans under their respective facility agreement immediately due and payable if:

- CMC ceases to beneficially hold more than 50% of the issued share capital of the Company; or
- CMC ceases to have the power, directly or indirectly, to:
  - (a) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the Company; or
  - (b) appoint or remove all, or the majority, of the directors or other equivalent officers of the Company; or
  - (c) give directions with respect to the operating and financial policies of the Company with which the directors or other equivalent officers of the Company are obliged to comply.

The same control requirements are imposed on the Company in relation to its interest in and control of Minera Las Bambas S.A., failing which BOC Sydney and/or ICBC Luxembourg may also cancel commitments and declare all outstanding loans under their respective facility agreement immediately due and payable.

**4. Facility granted by China Development Bank to MMG Limited**

On 4 September 2020, the Company entered into a facility agreement (2020 CDB Facility) pursuant to which CDB agreed to provide the Company with a US$85.0 million credit facility for a term of three years for general corporate purposes. The 2020 CDB Facility will be available for draw down during the first two years of the term. As at 31 December 2020, the amount of US$5.0 million was outstanding under the 2020 CDB Facility.

Under 2020 CDB Facility, an event of default would occur in the event that CMN ceases to beneficially hold more than 51% of the issued share capital of the Company, and CDB is entitled to declare all outstanding loans under the facility immediately due and payable.

**5. Facility granted by China Development Bank, Bank of China Limited, Sydney Branch, Industrial and Commercial Bank of China Limited, Macau Branch and The Export-Import Bank of China to Minera Las Bambas S.A.**

On 19 October 2020, Minera Las Bambas S.A. entered into a US$800.0 million three-year credit facility for its operational funding requirements with each of CDB, BOC Sydney, ICBC Macau and EXIM Bank (2020 Las Bambas Facility). As at 31 December 2020, the 2020 Las Bambas Facility was undrawn.

Under the 2020 Las Bambas Facility, on the occurrence of the following events, CDB, BOC Sydney, ICBC Macau and EXIM Bank may, by not less than 20 days' notice to Minera Las Bambas S.A., declare all outstanding loans under their respective facility agreement immediately due and payable if:

- CMC ceases to beneficially hold more than 50% of the issued share capital of the Company; or

# DIRECTORS' REPORT CONTINUED

– CMC ceases to have the power, directly or indirectly, to:

(a) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the Company; or

(b) appoint or remove all, or the majority, of the directors or other equivalent officers of the Company; or

(c) give directions with respect to the operating and financial policies of the Company with which the directors or other equivalent officers of the Company are obliged to comply.

The same control requirements are imposed on the Company in relation to its interest in and control of Minera Las Bambas S.A., failing which CDB, BOC Sydney, ICBC Macau and EXIM Bank may also cancel commitments and declare all outstanding loans under their respective facility agreement immediately due and payable.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 183 to 184 of this Annual Report.

## SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 22 to the Consolidated Financial Statements.

## DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately US$502,770.

## DIRECTORS

The Directors who held office during the year and up to the date of this report are as follows:

### CHAIRMAN

Mr GUO Wenqing (Non-executive Director)

### EXECUTIVE DIRECTOR

Mr GAO Xiaoyu (CEO)

### NON-EXECUTIVE DIRECTORS

Mr JIAO Jian

Mr ZHANG Shuqiang

Mr XU Jiqing
(Redesignated from an Executive Director to a Non-executive Director on 1 January 2020)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Peter CASSIDY

Mr LEUNG Cheuk Yan

Mr CHAN Ka Keung, Peter

In accordance with article 98 of the articles of association of the Company, Mr Zhang Shuqiang and Mr Xu Jiqing will retire by rotation at the forthcoming annual general meeting of the Company (AGM) and, being eligible, offer themselves for re-election.

In accordance with article 98 of the articles of association of the Company and Code Provisions A.4.2 and A.4.3 in Appendix 14 of the Listing Rules, Mr Leung Cheuk Yan will retire by rotation at the forthcoming AGM and, being eligible, offer himself for re-election.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers them to be independent.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract that is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No contracts of significance to which the Company, any of its holding companies, or any of their subsidiaries was a party, in which a Director had a material interest, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2020, the interests and short positions of the Directors and the CEO of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (Model Code) were as follows:

### LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AS AT 31 DECEMBER 2020

| NAME OF DIRECTOR | NATURE OF INTEREST | NUMBER OF UNDERLYING SHARES HELD | | | APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[2] |
|---|---|---|---|---|---|
| | | NUMBER OF SHARES HELD | OPTIONS | PERFORMANCE AWARDS[1] | |
| GAO Xiaoyu | Personal | - | - | 17,734,796 | 0.22 |

Notes:

1. The Directors' interests in the underlying shares of the Company are through performance awards granted by the Company, details of which are set out under the section headed 'Performance Awards' on pages 62 to 65 of this Annual Report.
2. The calculation is based on the number of shares and/or underlying shares as a percentage of the total number of issued shares of the Company (that is, 8,067,033,518 shares) as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, none of the Directors or the CEO of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. In addition, none of the Directors or the CEO of the Company or any of their associates had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the year ended 31 December 2020.

# DIRECTORS' REPORT CONTINUED

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2020, the interests of Directors in a business that competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules, are as follows:

1. Mr Guo Wenqing, a Non-executive Director and the Chairman of the Company, is:
   - a director and the President of CMC;
   - the Chairman of CMCL; and
   - the Chairman of MCC Group.
2. Mr Gao Xiaoyu, an Executive Director and the CEO of the Company, is:
   - a director of CMN; and
   - a director of Top Create.
3. Mr Jiao Jian, a Non-executive Director of the Company, is:
   - a Vice President of CMC;
   - a director and the President of CMCL;
   - the Chairman of CMN; and
   - a director of HNG.
4. Mr Zhang Shuqiang, a Non-executive Director of the Company, is:
   - the General Manager of the Finance Department of CMC;
   - a director CMNH;
   - a director of CMN;
   - a director of Minmetals HK; and
   - the Chairman of Minmetals Finance Co., Ltd..
5. Mr Xu Jiqing, a Non-executive Director of the Company, is:
   - a director and the President of CMN.

Although the Group and the above companies are involved in businesses in the same industry, they are separate companies operated by separate and independent management. The Company is therefore capable of carrying on its business independently of, and at arm's length from, the CMC Group and HNG.

## PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the articles of association of the Company and subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

## SHARE OPTION SCHEME

### 2013 SHARE OPTION SCHEME

Pursuant to share option scheme adopted at the extraordinary general meeting of the Company (EGM) held on 26 March 2013 (2013 Share Option Scheme), options were granted to eligible participants under 2013 Options and 2016 Options. As at 31 December 2020, there were a total of 11,192,385 options outstanding granted under 2016 Options, which represented approximately 0.14% of the total number of issued shares of the Company as at that date.

The following is a summary of the principal terms of the 2013 Share Option Scheme:

**(a) Purpose**

The purpose of the 2013 Share Option Scheme is to enable the Company to grant awards to selected employees of the Group as incentives or rewards for their contribution or potential contribution to the development and growth of the Group.

**(b) Participants**

The Company may grant an option to anyone who is an employee of the Company, its subsidiaries or any other company that is associated with the Company and is so designated by the Directors on the date of grant.

**(c) Total number of shares available for issue under the 2013 Share Option Scheme**

The total number of shares available for issue under the 2013 Share Option Scheme is 454,191,400 shares, representing approximately 5.63% of the total number of issued shares of the Company as at the date of this report.

**(d) Maximum entitlement of each participant**

No option may be granted to any eligible person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible person under the 2013 Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of issued shares of the Company as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules.

**(e) Period within which the shares must be taken up under an option**

The Board may in its absolute discretion determine the period during which an option may be exercised, save that such period shall not be more than 10 years from the date on which such option is granted and accepted subject to the provisions for early termination.

**(f) Minimum period for which an option must be held before it can be exercised**

The minimum period for which an option must be held before it can be exercised is 12 months from the date of grant, subject to the Board having the right to determine a longer minimum period at the time of granting the option.

**(g) Time of acceptance and the amount payable on acceptance of the option**

No amount is payable upon application or acceptance of an option.

**(h) Basis of determining the exercise price**

The exercise price shall be determined by the Board at the time of grant of the relevant option and shall not be less than the highest of:

– the closing price per share of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of grant of the relevant option; and

– an amount equivalent to the average closing price per share of the Company as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option.

**(i) The remaining life of the 2013 Share Option Scheme**

The 2013 Share Option Scheme will terminate on 26 March 2023 unless terminated earlier by the Board.

# DIRECTORS' REPORT CONTINUED

## 1. 2013 OPTIONS

On 9 April 2013, 13 December 2016 and 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2013 Options). The expiry date of the exercise period was on 8 April 2020. Accordingly, all outstanding options granted under the 2013 Options were lapsed due to expiry of the exercise period. There were no options outstanding as at 31 December 2020.

During the year ended 31 December 2020, the movements of the 2013 Options were as follows:

| | | | | NUMBER OF OPTIONS | | | | |
|---|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1,2,3] | EXERCISE PRICE PER SHARE (HK$)[2,4] | EXERCISE PERIOD[2,5] | BALANCE AS AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR[6] | BALANCE AS AT 31 DECEMBER 2020 |
| **Director** | | | | | | | | |
| XU Jiqing | 15 December 2016 | 2.51 | End of vesting period to 8 April 2020 | 2,626,701 | - | - | (2,626,701) | - |
| **Employees of the Group** | 9 April 2013, 13 December 2016 and 15 December 2016 | 2.51 | End of vesting period to 8 April 2020 | 20,966,637 | - | - | (20,966,637) | - |
| **TOTAL** | | | | **23,593,338** | **-** | **-** | **(23,593,338)** | **-** |

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK$2.45 per share.
2. Pursuant to the terms of the long term incentive equity plan of the Company (Long Term Incentive Equity Plan), which governs (among others) the share option scheme, the exercise price and the number of shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, adjustment of options took place on 13 December 2016, and conversation from cash-based entitlements to equity-based entitlements took place on 15 December 2016.
3. As originally contemplated in the 2013 Long Term Incentive Cash Plan, 5,923,307 options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long Term Incentive Cash Plan pursuant to the 2013 Share Option Scheme, to the equity equivalent of the entitlements they would have received historically under the 2013 Share Option Scheme, had they received such equity-based entitlements, rather than cash-based entitlements at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
4. As a result of the Rights Issue, the exercise price per share was adjusted from HK$2.62 to HK$2.51.
5. The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of financial, resources growth and market-related performance targets during the vesting period. Achievement of the Company and individual performance conditions have resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. Options lapsed due to the expiry of the exercise period.
7. No options were cancelled prior to the expiry of the exercise period.

### 2. 2016 Options

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 11,192,385 options outstanding as at 31 December 2020, which represented approximately 0.14% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2020, the movements of the 2016 Options were as follows:

| | | | | NUMBER OF OPTIONS | | | | |
|---|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | EXERCISE PRICE PER SHARE (HK$) | EXERCISE PERIOD[2] | BALANCE AS AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR[3] | LAPSED DURING THE YEAR | BALANCE AS AT 31 DECEMBER 2020 |
| **Director** | | | | | | | | |
| XU Jiqing | 15 December 2016 | 2.29 | 4 years after the date of vesting | 1,164,420 | - | - | (1,164,420)[4] | - |
| **Employees of the Group** | 15 December 2016 | 2.29 | 4 years after the date of vesting | 24,628,806 | - | (3,554,014) | (9,882,407)[5] | 11,192,385 |
| **TOTAL** | | | | **25,793,226** | **-** | **(3,554,014)** | **(11,046,827)** | **11,192,385** |

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of the vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance levels achieved. Achievement of the Company and individual performance conditions have resulted in 33.33% of the 2016 Options granted to participants vesting on 22 May 2019.
3. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$3.22.
4. Options lapsed upon Mr Xu Jiqing resigning as an Executive General Manager of the Company, at which time he was also redesignated from an Executive Director to a Non-Executive Director of the Company.
5. Options lapsed due to cessation of employment.
6. No options were cancelled during the year.

# DIRECTORS' REPORT CONTINUED

## PERFORMANCE AWARDS

Pursuant to the performance awards granted under the Long Term Incentive Equity Plan, performance awards were granted to eligible participants under the 2017 Performance Awards, 2018 Performance Awards, 2019 Performance Awards and 2020 Performance Awards. As at 31 December 2020, there were a total of 95,023,094 performance awards outstanding granted under the 2018 Performance Awards, 2019 Performance Awards and 2020 Performance Awards, which represented approximately 1.18% of the total number of issued shares of the Company as at that date.

### 2017 PERFORMANCE AWARDS

On 31 August 2017, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2017 Performance Awards). There were no performance awards outstanding as at 31 December 2020.

During the year ended 31 December 2020, the movements of the 2017 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | BALANCE AS AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | VESTED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR | BALANCE AS AT 31 DECEMBER 2020 |
| **Director** | | | | | | | |
| XU Jiqing | 31 August 2017 | 1,476,000 | - | - | - | (1,476,000)[2] | - |
| **Employees of the Group** | 31 August 2017 | 37,872,866 | - | (8,692,897) | - | (29,179,969)[3] | - |
| **TOTAL** | | **39,348,866** | **-** | **(8,692,897)** | **-** | **(30,655,969)** | **-** |

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration. Achievement of the Company and individual performance conditions have resulted in 27% of the 2017 Performance Awards granted to participants vesting on 22 May 2020.
2. On 1 January 2020, Mr Xu Jiqing resigned as the Executive General Manager – Commercial and was redesignated from an Executive Director to a Non-executive Director of the Company. His interests in the 1,476,000 performance awards lapsed on the same day.
3. Performance awards lapsed due to non-achievement of performance conditions during the vesting period.

## 2018 PERFORMANCE AWARDS

On 29 June 2018, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2018 Performance Awards). There were 7,002,799 performance awards outstanding as at 31 December 2020, representing approximately 0.09% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2020, the movements of the 2018 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| **CATEGORY AND NAME OF PARTICIPANT** | **DATE OF GRANT[1]** | **BALANCE AS AT 1 JANUARY 2020** | **GRANTED DURING THE YEAR** | **VESTED DURING THE YEAR** | **CANCELLED DURING THE YEAR** | **LAPSED DURING THE YEAR** | **BALANCE AS AT 31 DECEMBER 2020** |
| **Director** | | | | | | | |
| XU Jiqing | 29 June 2018 | 705,833 | - | - | - | (705,833)[2] | - |
| **Employees of the Group** | 29 June 2018 | 7,618,284 | - | - | - | (615,485)[3] | 7,002,799 |
| **TOTAL** | | **8,324,117** | **-** | **-** | **-** | **(1,321,318)** | **7,002,799** |

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The time of vesting will be on or around June 2021. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. On 1 January 2020, Mr Xu Jiqing resigned as the Executive General Manager – Commercial and was redesignated from an Executive Director to a Non-executive Director of the Company. His interests in the 705,833 performance awards lapsed on the same day.
3. Performance awards lapsed due to cessation of employment.

# DIRECTORS' REPORT CONTINUED

## 2019 PERFORMANCE AWARDS

On 3 May 2019, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2019 Performance Awards). There were 18,449,840 performance awards outstanding as at 31 December 2020, representing approximately 0.23% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2020, the movements of the 2019 Performance Awards were as follows:

| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| | | BALANCE AS AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | VESTED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR | BALANCE AS AT 31 DECEMBER 2020 |
| **Directors** | | | | | | | |
| GAO Xiaoyu | 3 May 2019 | 5,604,754 | - | - | - | - | 5,604,754 |
| XU Jiqing | 3 May 2019 | 1,145,229 | - | - | - | (1,145,229)[2] | - |
| **Employees of the Group** | 3 May 2019 | 14,449,696 | - | - | - | (1,604,610)[3] | 12,845,086 |
| **TOTAL** | | **21,199,679** | **-** | **-** | **-** | **(2,749,839)** | **18,449,840** |

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2019 to 31 December 2021. The time of vesting will be on or around June 2022. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. On 1 January 2020, Mr Xu Jiqing resigned as the Executive General Manager – Commercial and was redesignated from an Executive Director to a Non-executive Director of the Company. His interests in the 1,145,229 performance awards lapsed on the same day.
3. Performance awards lapsed due to cessation of employment.

## 2020 PERFORMANCE AWARDS

On 29 April 2020, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2020 Performance Awards). There were 69,570,455 performance awards outstanding as at 31 December 2020, representing approximately 0.86% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2020, the movements of the 2020 Performance Awards were as follows:

| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| | | BALANCE AS AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | VESTED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR[2] | BALANCE AS AT 31 DECEMBER 2020 |
| **Director** | | | | | | | |
| GAO Xiaoyu | 29 April 2020 | - | 12,130,042 | - | - | - | 12,130,042 |
| **Employees of the Group** | 29 April 2020 | - | 60,609,855 | - | - | (3,169,442) | 57,440,413 |
| **TOTAL** | | **-** | **72,739,897** | **-** | **-** | **(3,169,442)** | **69,570,455** |

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2020 to 31 December 2022. The time of vesting will be on or around June 2023. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

# DIRECTORS' REPORT CONTINUED

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

So far as is known to the Directors and CEO of the Company, as at 31 December 2020, the following persons had interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or that were recorded in the register required to be kept by the Company under Section 336 of the SFO:

### LONG POSITION IN THE SHARES OF THE COMPANY AS AT 31 DECEMBER 2020

| NAME OF SUBSTANTIAL SHAREHOLDER | CAPACITY | NUMBER OF SHARES HELD[1] | APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[2] |
|---|---|---|---|
| China Minmetals Corporation (CMC) | Interest of controlled corporations | 5,847,166,374 | 72.48 |
| China Minmetals Corporation Limited (CMCL) | Interest of controlled corporations | 5,847,166,374 | 72.48 |
| China Minmetals Non-ferrous Metals Holding Company Limited (CMNH) | Interest of controlled corporations | 5,847,166,374 | 72.48 |
| China Minmetals Non-ferrous Metals Company Limited (CMN) | Interest of controlled corporations | 5,847,166,374 | 72.48 |
| Album Enterprises Limited (Album Enterprises) | Interest of controlled corporations | 5,847,166,374 | 72.48 |
| China Minmetals H.K. (Holdings) Limited (Minmetals HK) | Beneficial owner | 5,847,166,374 | 72.48 |

Notes:

1. Minmetals HK is owned as to approximately 39.04%, 38.95% and 22.01% by CMCL, Album Enterprises and Top Create Resources Limited respectively. Album Enterprises and Top Create Resources Limited are wholly owned by CMN that, in turn, is owned as to approximately 99.999% and 0.001% by CMNH and CMCL respectively. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5% by CMC and approximately 0.8% by China National Metal Products Co. Ltd. that, in turn, is a wholly owned subsidiary of CMC. Accordingly, each of CMC, CMCL, CMNH, CMN and Album Enterprises was deemed as interested in the 5,847,166,374 shares of the Company held by Minmetals HK.
2. The calculation is based on the number of shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued shares (that is, 8,067,033,518 shares) of the Company as at 31 December 2020.

Save as disclosed above, as at 31 December 2020, there was no other person who was recorded in the register of the Company, as having an interest or short positions in the shares or underlying shares of the Company who was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CONNECTED TRANSACTIONS

During the year ended 31 December 2020 the Group had the following material connected transactions, details of which are set out below:

1. On 27 March 2020, MMG Dugald River Pty Ltd (MMG Dugald River) entered into an agreement with Minmetals North-Europe AB (Minmetals North-Europe) in relation to the sale of approximately 10,000 dry metric tonnes of zinc concentrates produced at the Dugald River mine valued at approximately US$6.5 million. The delivery of zinc concentrates pursuant to the agreement took place in April 2020 and was valued at approximately US$5.0 million.

   On 22 August 2019, MMG Dugald River had entered into an agreement with Minmetals North-Europe AB in relation to the sale of approximately 10,000 dry metric tonnes of zinc concentrates produced at the Dugald River mine valued at approximately US$10.0 million. This transaction was therefore aggregated with the sale on 27 March 2020.

   Minmetals North-Europe AB is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the agreements (Dugald River Zinc Concentrate Sale Agreements) constitute connected transactions for the Company.

2. On 2 December 2020, the Company announced that it had resolved to satisfy the Performance Awards in respect of the 2018, 2019 and 2020 Performance Awards, to the extent they vest in accordance with their terms, by way of issue and allotment of an aggregate of up to 104,451,681 new Award Shares pursuant to the general mandate granted to the Board at the AGM held on 21 May 2020. Certain incentive participants under the Company's Long Term Incentive Equity Plan are directors of the Company and/or directors of Significant Subsidiaries of the Company, each of whom is a connected person of the Company under the Listing Rules. Accordingly, the proposed issuance of new Award Shares by the Company to such incentive participants, to the extent that the relevant performance awards vest in accordance with their terms (of up to 42,916,206 new Award Shares), will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, approval by the Independent Shareholders at an EGM.

   On 10 February 2021, the Company despatched (i) a Circular to provide Shareholders with details of the issue of new Award Shares, advice from the Independent Board Committee and advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, in relation to the issue of new Award Shares and (ii) a Notice of Meeting to Shareholders convening an EGM on 4 March 2021 at which the issue of Award Shares will be considered.

## CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group had the following material continuing connected transactions, details of which are set out below:

1. On 27 June 2014, MMG SA entered into an agreement with CMN in relation to the sale of copper concentrate to be purchased by MMG SA from the Las Bambas Project to the CMN Group (Las Bambas CMN Copper Sale Framework Agreement), subject to the approval of the Independent Shareholders. The Independent Shareholders approved the Las Bambas CMN Copper Sale Framework Agreement, and the proposed annual caps on sales, at an EGM held on 21 July 2014.

   On 11 January 2016, pursuant to the terms of the Las Bambas CMN Copper Sale Framework Agreement, MMG SA and CMN entered into an agreement to set out the specific terms on which the sale and purchase of the copper concentrate between CMN and MMG SA will be made (Las Bambas CMN Copper Concentrate Offtake Agreement).

   In accordance with the Las Bambas CMN Copper Sale Framework Agreement, the term of the Las Bambas CMN Copper Concentrate Offtake Agreement is for the term of the life of the Las Bambas mine. The annual caps with respect to the Las Bambas CMN Copper Sale Framework Agreement are set as a fixed quantity of copper contained in copper concentrate from the Las Bambas Project to be sold by MMG SA to members of the CMN Group in a year, which for the year commencing 1 January 2020 was set at 354,000 tonnes. During the year ended 31 December 2020 approximately 179,000 tonnes of copper contained in copper concentrate were sold by MMG SA to members of the CMN Group under the Las Bambas CMN Copper Concentrate Offtake Agreement.

# DIRECTORS' REPORT CONTINUED

CMN is a controlling Shareholder, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Las Bambas CMN Copper Sale Framework Agreement and Las Bambas CMN Copper Concentrate Offtake Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2. On 11 January 2016, pursuant to the Shareholders' Agreement, Minera Las Bambas S.A. (MLB) and CITIC Metal Peru Investment Limited (CITIC) entered into an agreement for the sale and purchase of CITIC's entitlement to copper concentrate from the Las Bambas mine (CITIC Copper Concentrate Offtake Agreement). The term of the CITIC Copper Concentrate Offtake Agreement is for the term of the life of the Las Bambas mine. The annual caps with respect to the CITIC Copper Sale Framework Agreement are set as a fixed quantity of copper contained in copper concentrate from the Las Bambas Project to be sold by MLB to CITIC in a year, which for the year commencing 1 January 2020 was set at 162,000 tonnes. During the year ended 31 December 2020, approximately 80,000 tonnes of copper contained in copper concentrate were sold by MLB to CITIC under the CITIC Copper Concentrate Offtake Agreement.

   As CITIC controls more than 10% of the total number of issued shares of MMG SAM, it is a substantial shareholder of MMG SAM. The Buyer is therefore a connected person of the Company and the transactions contemplated under the CITIC Copper Concentrate Offtake Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

3. On 13 July 2017 (Hong Kong time), the Company announced that (i) MLB and China Minmetals Nonferrous Metals Peru SAC (Minmetals Peru) entered into the Las Bambas Grinding Media Supply Agreement for the Las Bambas operation for an initial term of 6 months, and (ii) MMG Australia Limited (MMG Australia) and Minmetals Australia Pty Ltd (Minmetals Australia) entered into the Australian Operations Grinding Media Supply Agreement for the Australian operations for an initial term of 24 months (together, the Grinding Media Supply Agreements).

   On 22 December 2017 (Hong Kong time) and on 31 December 2018, MLB elected to exercise options to extend the Las Bambas Grinding Media Supply Agreement, each for a further period of 12 months.

   On 18 December 2019, MLB elected to exercise its final option to extend the Las Bambas Grinding Media Supply Agreement for a further period of 6 months.

   On 8 July 2019, MMG Australia elected to exercise its option to extend the Australian Operations Grinding Media Supply Agreement for a further period of 12 months.

   The Grinding Media Supply Agreements each expired on 30 June 2020, however, orders placed under the Las Bambas Grinding Media Supply Agreement prior to its expiry continued to be delivered during the remainder of 2020.

   The caps for the period to 30 June 2020 under (i) the Las Bambas Grinding Media Supply Agreement was US$8.0 million and (ii) the Australian Operations Grinding Media Supply Agreement was US$1.75 million. For the period ended 31 December 2020, expenditure under (i) the Las Bambas Grinding Media Supply Agreement was US$4.74 million and (ii) the Australian Operations Grinding Media Supply Agreement was approximately US$125,000. Orders placed under the Las Bambas Grinding Media Supply Agreement prior to 30 June 2020, to the value of approximately US$2.15 million, will continue to be delivered during 2021.

   Both Minmetals Peru and Minmetals Australia are each wholly owned subsidiaries of CMC and are therefore associates of CMC and a connected person of the Company under the Listing Rules. Accordingly, the Grinding Media Supply Agreements each constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

4. On 4 July 2019, MMG Australia entered into an agreement with Album Trading Co., Ltd. (Album Trading) in relation to the sale of concentrate from the Rosebery mine by MMG Australia to Album Trading (Rosebery Concentrate Sales Agreement) for the period from 1 January 2020 to 31 December 2021. The annual cap for sales for each year of this agreement is US$50.0 million.

   On 24 December 2020, the Company announced that the value of transactions under the Rosebery Concentrate Sales Agreement had exceeded the annual cap for the financial year ending 31 December 2020, as a result of both higher than expected production levels at the Rosebery Mine and copper, gold and silver prices. For the same reasons, the Company expects that the amount payable under the Rosebery Concentrate Sales Agreement for the year ending 31 December 2021 will be higher than originally estimated. Accordingly, the Directors (including the Independent Non-executive Directors but excluding the Interested Directors) (i) ratified the transactions under the Rosebery Concentrate Sales Agreement and approved a revised annual cap for the financial year ending 31 December 2020 of US$85.0 million and (ii) approved a revised annual cap for the year ending 31 December 2021 of US$100.0 million.

Album Trading is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. Accordingly, the Rosebery Concentrate Sales Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

5. During 2018, the Company announced that MMG Dugald River had entered into zinc concentrate sales agreements with Minmetals North-Europe as follows: (i) on 20 August 2018, for sales of approximately 40,000 dry metric tonnes of zinc during 2019 and 2020 with an annual cap of US$50.0 million per year, and (ii) on 5 December 2018, for sales of approximately 100,000-120,000 dry metric tonnes of zinc during 2019, 2020 and 2021 with an annual cap of US$130.0 million per year (Dugald River Zinc Concentrate Sales Agreements).

   During the year ended 31 December 2020, sales of approximately (i) US$35.0 million and (ii) US$85.0 million were transacted under each of the agreements respectively.

   Minmetals North-Europe is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Dugald River Zinc Concentrate Sales Agreements each constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

6. On 24 July 2020, MMG Management Pty Limited (MMG Management), a wholly owned subsidiary of the Company, had entered into an agreement with Minmetals (U.K.) Limited (Minmetals UK) in relation to the provision of agency services by Minmetals UK for executing certain commodity hedging transactions on the LME or with financial institutions on behalf of MMG Management (Commodity Hedging Agency Agreement).

   The annual cap applicable to the service charge to be paid by MMG Management to Minmetals UK under the Commodity Hedging Agency Agreement was set at US$3.2 million. During the year ended 31 December 2020, US$1.65 million in service charges payable to Minmetals UK were incurred by MMG Management.

   Minmetals UK is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Commodity Hedging Agency Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

7. On 30 July 2020, the Company announced that it had entered into shipping framework agreement with Minmetals Logistics Group Co., Ltd (Minmetals Logistics) in relation to the provision of ocean transport by Minmetals Logistics for the shipment of the products of the Group (Shipping Framework Agreement) during 2020, 2021 and 2022 with annual caps of US$10.0 million for 2020 and US$23.0 million for each of 2021 and 2022.

   During the year ended 31 December 2020, no services were provided by Minmetals Logistics under the Shipping Framework Agreement.

   Minmetals Logistics is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Shipping Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

8. On 2 September 2020, the Company announced that MLB had entered into molybdenum concentrate sales agreements with each of China Tungsten and Hightech Materials Co., Ltd. (China Tungsten) and CMN for sales of molybdenum concentrate during 2020, 2021 and 2022 with an annual cap of US$15.0 million for each of China Tungsten and CMN for 2020 and US$35.0 million for each of China Tungsten and CMN for each of 2021 and 2022 (Las Bambas Molybdenum Concentrate Sales Framework Agreements).

   During the year ended 31 December 2020, sales of approximately US$4.6 million were transacted under the agreement with CMN, with no sales transacted under the agreement with China Tungsten.

# DIRECTORS' REPORT CONTINUED

China Tungsten is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. CMN is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the Las Bambas Molybdenum Concentrate Sales Framework Agreements each constitute a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Upon the completion of the acquisition of Minerals and Metals Group on 31 December 2010, the following material continuing transaction became a continuing connected transaction under Chapter 14A of the Listing Rules (Grandfathered Continuing Connected Transaction) and details of this transaction for the year ended 31 December 2020 are set out below:

9. On 10 June 2010, MMG Management, a wholly owned subsidiary of the Company, entered into a loan facility agreement with Album Enterprises (Grandfathered MMG Loan Facility) pursuant to which MMG Management agreed to make loan facilities available to Album Enterprises on an uncommitted basis. During the year ended 31 December 2020, no amounts were advanced or outstanding under the Grandfathered MMG Loan Facility. Album Enterprises is a substantial Shareholder and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Grandfathered MMG Loan Facility constitutes a Grandfathered Continuing Connected Transaction for the Company and the Company will comply with Listing Rule 14A.60 in respect of this transaction.

The Company has followed its pricing policies and guidelines when determining the price and terms of the connected transactions and continuing connected transactions conducted during the year.

## REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions described above for the year ended 31 December 2020 have been reviewed by the Independent Non-executive Directors of the Company.

The Independent Non-executive Directors of the Company have confirmed that the continuing connected transactions have been entered into:

(a) the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or better; and

(c) in accordance with the respective terms of the Las Bambas CMN Copper Sale Framework Agreement, the Las Bambas CMN Copper Concentrate Offtake Agreement, the CITIC Copper Concentrate Offtake Agreement, the Grinding Media Supply Agreements, the Rosebery Concentrate Sales Agreement, the Dugald River Zinc Concentrate Sales Agreements, the Commodity Hedging Agency Agreement, the Shipping Framework Agreement and the Las Bambas Molybdenum Concentrate Sales Framework Agreements that are fair and reasonable, in the interests of the Shareholders as a whole.

As disclosed on 24 December 2020, the Directors of the Company also note that the failure to re-comply with reporting and announcement requirements of the Listing Rules on a timely basis in respect of transactions under the Rosebery Concentrate Sales Agreement for the year ending 31 December 2020 was an inadvertent oversight and an isolated event. In order to avoid the occurrence of similar events in the future, the Company will strengthen the reporting and monitoring procedures for the annual caps of the existing continuing connected transactions entered into by the Group and improve the process and frequency of data collection and cross checking to ensure the transaction amounts do not exceed the annual caps.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing its conclusion, with an emphasis of matter section, in respect of the continuing connected transactions for the year ended 31 December 2020 disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In addition, the auditor of the Company has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions for the year ended 31 December 2020:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) the Las Bambas CMN Copper Sale Framework Agreement, the Las Bambas CMN Copper Concentrate Offtake Agreement, the CITIC Copper Concentrate Offtake Agreement, the Grinding Media Supply Agreements, the Rosebery Concentrate Sales Agreement, the Dugald River Zinc Concentrate Sales Agreements, the Commodity Hedging Agency Agreement, the Shipping Framework Agreement and the Las Bambas Molybdenum Concentrate Sales Framework Agreements have exceeded the respective annual caps or revised annual cap as disclosed in the announcements of the Company.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

On 22 July 2014 Top Create, a subsidiary of CMN, a controlling Shareholder, extended a loan facility for a principal sum of up to US$2,262.0 million to MMG SA for a term of four years for the purpose of acquiring the Las Bambas Project. On 29 December 2017 and 22 December 2020, the Company announced that the loan facility was amended by the parties for the purpose of (among other things) extending the term of the loan from four years to eleven years, deferring payment dates and adjusting interest rates. Such loan facility was exempt from the announcement and reporting requirements of the Listing Rules with respect to connected transactions on the basis that it was unsecured and on normal commercial terms.

Particulars of other contracts of significance that exist between the Company (or one of its subsidiary companies) and a controlling Shareholder (or any of its subsidiaries) are set out under Connected Transactions on pages 67 to 71 of this Annual Report.

## RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business are set out in Note 31 to the Consolidated Financial Statements.

Related party transactions set out in Note 31 to the Consolidated Financial Statements also constitute connected transactions and continuing connected transactions of the Company under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules except for those transactions that are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## EMOLUMENT POLICY

The Group's Emolument Policy is formulated by the Governance, Remuneration and Nomination Committee on the basis of employees' merit, market practice, qualifications and competence.

The determination of remuneration for the Directors takes into consideration factors such as remuneration paid by comparable companies, accountabilities of the Directors, applicable regional employment conditions. In the circumstance of Executive Directors, appropriate 'at-risk' performance-based remuneration is also provided.

The Company has adopted share option scheme and performance awards as incentives to the Executive Directors and eligible employees. Details of the share option scheme and performance awards are set out under the sections headed 'Share Option Scheme' and 'Performance Awards'. In relation to MMG, it has adopted both long-term and short-term 'at-risk' incentive plans to reward its Executive Directors and eligible employees and to align their incentive remuneration with the performance of MMG.

# DIRECTORS' REPORT CONTINUED

## RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in Note 11 to the Consolidated Financial Statements.

## DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors and senior management of the Company are set out on pages 49 to 52 of this Annual Report.

## INDEPENDENT AUDITOR

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming AGM and, being eligible, offer themselves for re-appointment.

## CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 73 to 82 of this Annual Report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Board, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## EVENTS AFTER THE BALANCE SHEET DATE

Other than matters outlined in the 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.

By order of the Board

GUO Wenqing
**CHAIRMAN**

3 March 2021

# CORPORATE GOVERNANCE REPORT

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

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, except for the deviations from code provision A.4.1 as explained under the section headed 'Re-election of Directors' and also code provision E.1.2 as explained below.

Code provision E.1.2 requires the Chairman of the Board to attend and answer questions at the AGM. Mr Guo Wenqing, the Chairman of the Board, was not available for the AGM held on 21 May 2020 due to unplanned business commitments. Accordingly, Mr Leung Cheuk Yan, an Independent Non-executive Director, a member of the Audit and Risk Management Committee and the Governance, Remuneration and Nomination Committee of the Company, was nominated by the Board to take the chair of the said meeting.

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a model code for securities trading by Directors (Securities Trading Model Code) on terms no less exacting than the required standard of the Model Code.

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 year ended 31 December 2020.

## BOARD

### COMPOSITION

The Board currently comprises eight Directors of which one is an Executive Director, four are Non-executive Directors and three are Independent Non-executive Directors.

The members of the Board as at the date of this report are as follows:

**Executive Director**

Mr GAO Xiaoyu (CEO)

**Non-executive Directors**

Mr GUO Wenqing (Chairman)

Mr JIAO Jian

Mr ZHANG Shuqiang

Mr XU Jiqing
(Redesignated from an Executive Director to a Non-executive Director on 1 January 2020)

**Independent Non-executive Directors**

Dr Peter CASSIDY

Mr LEUNG Cheuk Yan

Mr CHAN Ka Keung, Peter

The current Board possesses an appropriate balance of skills, experience and diversity of perspectives relevant to the management of the Company's business. The Directors' biographical information is set out on pages 49 to 52 under the section headed 'Directors and Senior Management' of this Annual Report.

### ROLE AND FUNCTION

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal control and the conduct of business in conformity with applicable laws and regulations. The Board members are fully committed to their roles and have acted in the best interests of the Group and its Shareholders at all times. There is no financial, business, family or other material/ relevant relationship among the Directors.

# CORPORATE GOVERNANCE REPORT CONTINUED

All Directors are required to comply with Rule 3.08(d) of the Listing Rules to avoid actual and potential conflicts of interest and duty at all times. Directors are required to declare their interest in the matters to be considered at each Board meeting and Board committee meeting. If a Director or any of his/her associates has material interest in the matter to be considered, the Director will not be counted in the quorum, nor allowed to vote at the meeting. The Director may also be required to withdraw from the meeting during discussion of the matter.

Board meetings are held regularly, approximately six times a year, and are also held on an ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended by a majority of the Directors in person or through electronic means of communication.

During the year ended 31 December 2020, other than resolutions passed in writing by all the Directors, the Company held five regular Board meetings. The AGM was held on 21 May 2020.

The attendance of each Director at the Board meetings and the AGM during the year ended 31 December 2020 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a Board member.

| | NUMBER OF MEETING ATTENDED | |
|---|---|---|
| DIRECTORS | BOARD MEETINGS | AGM |
| **Executive Director** | | |
| GAO Xiaoyu | 5/(5) | 1/(1) |
| **Non-executive Directors** | | |
| GUO Wenqing (Chairman) | 4/(5) | 0/(1) |
| JIAO Jian | 5/(5) | 0/(1) |
| ZHANG Shuqiang | 4/(5) | 0/(1) |
| XU Jiqing | 5/(5) | 0/(1) |
| **Independent Non-executive Directors** | | |
| Peter CASSIDY | 5/(5) | 1/(1) |
| LEUNG Cheuk Yan | 5/(5) | 1/(1) |
| CHAN Ka Keung, Peter | 5/(5) | 1/(1) |

## BOARD DIVERSITY

The Company has developed the Board Diversity Statement recognising and embracing the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, the Company has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on contribution that the selected candidate will bring to the Board.

The Board comprises members from a diverse background. The Company has at all times during the year had one Independent Non-executive Director who is a qualified accountant. One of the Independent Non-executive Directors is a qualified solicitor. Six Directors have experience sitting on the boards of other companies listed on the stock exchanges of Hong Kong, the PRC and Australia. Collectively the Directors have extensive experience in the metals and mining industry, trading, finance and accounting, business strategy, law, enterprise risk management and exposure or experience in various countries. Some of them are members of professional and/or industry bodies and/or academic institutions.

## CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board currently is Mr Guo Wenqing and the CEO of the Company is Mr Gao Xiaoyu. The roles of the Chairman of the Board and the CEO of the Company are segregated to ensure their respective independence, accountability and responsibility.

The Chairman takes the lead in formulating the Group's overall strategies and policies, ensures the Board's effective performance of its functions, including compliance with good corporate governance practices, and encourages and facilitates active contribution of Directors in Board activities. Directors with different views are encouraged to voice their concerns. They are allowed sufficient time for discussion of issues so as to ensure that Board decisions fairly reflect Board consensus. A culture of openness and debate is promoted to facilitate the effective contribution of Non-executive Directors and ensure constructive relations between Executive and Non-executive Directors. During the year, the Chairman met with the Independent

Non-executive Directors and Non-executive Directors.

The Chairman also ensures that all Directors are properly briefed on issues arising at Board meetings and have received, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.

The CEO, supported by a management committee comprising himself and senior management (Executive Committee), is responsible for managing day-to-day operations of the Group and executing the strategies adopted by the Board. The CEO is also accountable to the Board for the implementation of the Group's overall strategies, and coordination of overall business operations.

## EXECUTIVE DIRECTORS AND EXECUTIVE COMMITTEE

The Board has delegated the management of the Group's day-to-day operations to the CEO and his Executive Committee. The Executive Committee is also required to report regularly to the Board on the progress being made by the Group's businesses.

The members of the Executive Committee as at the date of this report are as follows:

Mr GAO Xiaoyu (CEO and Executive Director);

Mr Ross CARROLL (CFO);

Mr Troy HEY (Executive General Manager – Corporate Relations);

Mr WEI Jianxian (Executive General Manager – Americas); and

Mr LI Liangang (Executive General Manager – Australia and Commercial).

## NON-EXECUTIVE DIRECTORS

The Non-executive Directors (including the Independent Non-executive Directors) provide a wide range of expertise and experience and bring independent judgement on issues relating to the Group's strategies, development, performance and risk management through their contribution at Board and committee meetings.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of Shareholders. The Board has three Independent Non-executive Directors and one of them has accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-executive Directors a confirmation of independence for the year ended 31 December 2020 pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

## RE-ELECTION OF DIRECTORS

Each of the Non-executive Directors entered into an appointment agreement with the Company for a specific term of three years, except for Dr Peter Cassidy. Dr Cassidy's appointment agreement commenced on 31 December 2010 and continues until either the Company or he terminates such agreement by serving on the other not less than one month's prior written notice.

In accordance with the Company's articles of association, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next AGM (in the case of an addition to the Board), and thereafter be subject to retirement by rotation at least once every three years at the AGM. Dr Cassidy, who was appointed by the Board on 31 December 2010 to fill a casual vacancy, is also subject to retirement from the Board by rotation at least once every three years at the AGM. Since Dr Cassidy has been appointed, he has been re-elected by Shareholders at the AGMs held in 2011, 2013, 2016 and 2019.

## DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director receives a briefing and orientation on his/her legal and other responsibilities as a listed company director and the role of the Board. He/she also receives a comprehensive induction package covering the statutory and regulatory obligations of a director, organisational structure, policies, procedures and codes of the Company, terms of reference of Board committees and charter of responsibilities. All Directors are encouraged to participate in continuous professional development and refresh their knowledge and skills.

All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

# CORPORATE GOVERNANCE REPORT CONTINUED

All Directors have participated in continuous professional development by attending seminars and/or conferences and/or forums and/or in-house trainings to develop and refresh their knowledge and skills. In addition, attendance at briefing sessions (including the delivery of speeches) and the provision of reading materials on the relevant topics contributed toward continuous professional training. All Directors provided a record of training to the Company. A summary of training attended by the Directors for the year ended 31 December 2020 is set out below:

| DIRECTORS | TYPES OF TRAINING (NOTES) |
|---|---|
| **Executive Director** | |
| GAO Xiaoyu | 1,3 |
| **Non-executive Directors** | |
| GUO Wenqing | 1,2,3 |
| JIAO Jian | 1,2,3 |
| ZHANG Shuqiang | 1,3 |
| XU Jiqing | 1,2,3 |
| **Independent Non-executive Directors** | |
| Peter CASSIDY | 1,3 |
| LEUNG Cheuk Yan | 1,3 |
| CHAN Ka Keung, Peter | 1,3 |

Notes:

1. Attending seminars and/or conferences and/or forums and/or in-house trainings.
2. Delivering speeches/presentations at seminars and/or conferences and/or forums.
3. Reading journals, documentaries, books, newspapers relating to the director's duties and responsibilities.

### DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate directors' and officers' liabilities insurance in respect of legal action against the Directors and officers of the Company.

## THE BOARD COMMITTEES

There are two Board committees, namely the Audit and Risk Management Committee and the Governance, Remuneration and Nomination Committee, for overseeing particular aspects of the Company's affairs.

### AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee comprised five members including three Independent Non-executive Directors, namely Mr Chan Ka Keung, Peter as Chair, Dr Peter Cassidy and Mr Leung Cheuk Yan, and two Non-executive Directors, namely Mr Zhang Shuqiang and Mr Xu Jiqing.

The Audit and Risk Management Committee is principally responsible for (i) the financial reporting related matters, such as reviewing financial information and overseeing financial reporting related systems and controls; and (ii) advising the Board on high-level risk related matters, risk management and internal control, including advising on risk assessment and oversight of the internal audit function. The terms of reference of the Audit and Risk Management Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2020, the Audit and Risk Management Committee held four meetings. The Committee reviewed financial reporting matters, the Company's Financial Statements, annual and interim reports, the connected transactions and the continuing connected transactions entered into by the Group and the audit fees for the year ended 31 December 2020. It also reviewed the external audit scope and plans and audit findings, material risk profile and prioritised material risk analysis including internal audit plans and audit findings, treasury, tax matters, compliance against the Risk Management Framework, and the Insurance Program including the renewals of the annual insurance and the directors and officers insurance and the programs for Audit and Risk Management Committee activities for 2020 and 2021. The Committee discussed with senior management the independence of the external auditors and the effectiveness of the external and internal audit process.

The attendance of each member at the Audit and Risk Management Committee meetings for the year ended 31 December 2020 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Audit and Risk Management Committee.

| MEMBERS | NUMBER OF MEETINGS ATTENDED |
|---|---|
| **Non-executive Directors** | |
| ZHANG Shuqiang | 4/(4) |
| XU Jiqing (Appointed on 1 January 2020) | 4/(4) |
| **Independent Non-executive Directors** | |
| Peter CASSIDY | 4/(4) |
| LEUNG Cheuk Yan | 4/(4) |
| CHAN Ka Keung, Peter (Chairman) | 4/(4) |

## GOVERNANCE, REMUNERATION AND NOMINATION COMMITTEE

The Governance, Remuneration and Nomination Committee comprised five members including three Independent Non-executive Directors, namely Dr Peter Cassidy as Chair, Mr Leung Cheuk Yan and Mr Chan Ka Keung, Peter, and two Non-executive Directors, namely Mr Jiao Jian and Mr Xu Jiqing.

The Governance, Remuneration and Nomination Committee is principally responsible for (i) developing, reviewing and monitoring the Group's policies and practices on corporate governance to ensure compliance with the relevant legal and regulatory requirements; (ii) formulating the Company's policy and structure for all Directors and senior management's and to make recommendations to the Board on the Group remuneration policy and the remuneration of all Directors and senior management; (iii) formulating the policy for nomination of Directors and leading the process of identifying and nominating candidates suitably qualified to become Board members, and reviewing the structure, size and composition of the Board and Board Committees (including knowledge, skills and experience, independence and diversity of the members) and makes recommendations to the Board with regard to any changes. The terms of reference of the Governance, Remuneration and Nomination Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2020, the Governance, Remuneration and Nomination Committee held four meetings. The Committee reviewed the Mineral Resources and Ore Reserves Statement, the Whistleblower reports, the 2020 Disclosure Reports, the performance review and evaluation of the Board and the Board Committees, the Directors and senior management training program and the Corporate Governance Report for inclusion in the annual report. It also reviewed the remuneration policy, the incentive and retention plans, annual remuneration and the programs for Governance, Remuneration and Nomination Committee activities for 2020 and 2021.

The attendance of each member at the Governance, Remuneration and Nomination Committee meetings for the year ended 31 December 2020 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Governance, Remuneration and Nomination Committee.

| MEMBERS | NUMBER OF MEETINGS ATTENDED |
|---|---|
| **Non-executive Directors** | |
| JIAO Jian | 3/(4) |
| XU Jiqing (Appointed on 1 January 2020) | 4/(4) |
| **Independent Non-executive Directors** | |
| Peter CASSIDY (Chairman) | 4/(4) |
| LEUNG Cheuk Yan | 4/(4) |
| CHAN Ka Keung, Peter | 4/(4) |

The Company's Mineral Resources and Ore Reserves Committee and the Disclosure Committee also report to the Governance, Remuneration and Nomination Committee.

The Mineral Resources and Ore Reserves Committee is responsible for overseeing the Mineral Resources and Ore Reserves reporting process and ensuring its compliance with the Listing Rules and JORC Code.

The Disclosure Committee is responsible for advising on disclosure obligations of the Company. The Company has adopted a Disclosure Framework to ensure its compliance with the disclosure obligations under the Listing Rules and the timely disclosure of inside information to the market. The Disclosure Committee comprises the CEO, CFO, Executive General Manager – Corporate Relations, the General Counsel and the Company Secretary. The Disclosure Framework requires employees to refer all information that potentially requires disclosure to a member of the Disclosure Committee.

## EXECUTIVE COMMITTEE

The Executive Committee reviews safety, health and environmental and social performance in order to improve efficiency and effectiveness. Specific Safety, Health, Environment and Community (SHEC) matters to be discussed by the Board include identification, review and governance of SHEC-related material issues, significant incidents, remediation/mitigation strategies and any specific areas of focus as identified by the Board.

# CORPORATE GOVERNANCE REPORT CONTINUED

## ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing all information and representations contained in the Financial Statements for the year ended 31 December 2020 as disclosed in this Annual Report. The Directors consider that the Financial Statements have been prepared in conformity with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants and the Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgement of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquiries, were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Please refer to Note 2.1 to the Consolidated Financial Statements for further details.

Accordingly, the Directors have prepared the Financial Statements on a going-concern basis.

The statement of the Company's auditor regarding its responsibilities for the Financial Statements is set out in the Independent Auditor's Report on pages 90 to 95 of this Annual Report.

Management has provided all members of the Board with monthly updates giving a balanced and comprehensible assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Audit and Risk Management Committee assists the Board with regard to the oversight of the Company's risk management and internal control systems and practices.

The Risk and Audit function in MMG supports the Audit and Risk Management Committee and line management by:

- establishing and maintaining Group-wide Standards relating to risk management and assurance;
- undertaking internal audits to test compliance with Group Standards and legal obligations and to assess the adequacy and effectiveness of critical controls to material risks;
- reporting control weakness and non-compliances at MMG's operations;
- monitoring critical control failings across the industry and assessing implications for MMG;
- monitoring and reporting closeout of management agreed actions to improve control effectiveness and to correct non-compliances; and
- monitoring the Group's risk profile and reporting substantive changes in the risk profile.

The Company's risk management and internal audit processes are subject to periodic, independent external assessment against relevant International Standards and industry best practice.

The annual internal audit plan is approved by the Audit and Risk Management Committee. Its focus is on material risks to the business; both financial and non-financial.

The Audit and Risk Management Committee is responsible for ensuring that there is appropriate coordination between internal and external audit. It is also responsible for ensuring that internal audit is adequately resourced and has appropriate standing within the Group. It also reviews and monitors the effectiveness of internal audit.

MMG's Internal Audit Procedure requires the Risk and Audit function to maintain its independence. It also requires reporting, to the Chair of the Audit and Risk Management Committee, of any instance where the Group's independence may have been compromised.

Information about the Board committees, including their work in 2020, is set out under the sections above.

### AUDITOR'S REMUNERATION

An analysis of the remuneration of the external auditor, Deloitte Touche Tohmatsu (which for these purposes includes any entity under common control, ownership or management with the external auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally), for the year ended 31 December 2020 is set out as follows:

| SERVICES RENDERED | FEE PAID/ PAYABLE 2020 US$'000 |
|---|---|
| Audit services | 1,432.8 |
| Other assurance services | 60.6 |
| Non-audit services | 80.5 |
| | **1,573.9** |

## COMPANY SECRETARY

Ms Leung Suet Kam, Lucia was appointed as Company Secretary of the Company in June 2001. She is a fellow of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms Leung assists the Board by ensuring good information flow within the Board and that the Board policy and procedures including those on governance matters are followed. All the Directors are entitled access to the advice and services of the Company Secretary. She reports to the Chairman of the Board and also the CEO. Ms Leung has attended various professional seminars during the year ended 31 December 2020, which exceed the requirements of the Listing Rules.

## SHAREHOLDERS' RIGHTS

### PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Shareholders holding at least 5% of the total voting rights of all Shareholders having a right to vote at the Company's general meeting can deposit a written request to convene a general meeting at Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary or send the written request to the Company by fax at +852 2840 0580.

The written request: (i) must state the general nature of the business to be dealt with at the meeting, and (ii) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting and signed by the Shareholders concerned.

The request will be verified with the Company's Share Registrar and upon confirmation that the request is proper and in order, the Board will convene a general meeting by serving sufficient notice to all the registered Shareholders.

However, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, a general meeting will not be convened as requested.

Pursuant to the articles of association of the Company and the Companies Ordinance, the notice period to be given to all the registered Shareholders for consideration of the proposed resolutions at a general meeting is not less than 14 days.

If the Directors do not within 21 days after the date on which they become subject to the requirement to call a general meeting to be held on a date not more than 28 days after the date of the notice convening the meeting, the Shareholders concerned or any of them representing more than one half of the total votes of all of them, may themselves call a general meeting, provided that such general meeting must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call a meeting.

Any reasonable expenses incurred by the Shareholders concerned by reason of the failure of the Directors duly to call a general meeting shall be repaid to the Shareholders concerned by the Company.

The procedures for Shareholders to convene a general meeting are available on the Company's website.

### PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT THE ANNUAL GENERAL MEETING

Shareholders holding at least 2.5% of the total voting rights of all Shareholders having the right to vote at the AGM, or at least 50 Shareholders who have a right to vote on the resolution at the AGM to which the request relates, can submit a written request to move a resolution at the AGM.

The written request must state the resolution and be signed by all the Shareholders concerned.

The written request must be deposited at Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary, or sent to the Company by fax at +852 2840 0580 not later than six weeks before the AGM to which the request relates, or if later, the time at which notice is given of that meeting.

The request will be verified with the Company's Share Registrar and upon confirmation that the request is proper and in order, the Board will include the resolution in the agenda for the next AGM in accordance with statutory requirements. However, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM.

The Company will be responsible for the expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned.

# CORPORATE GOVERNANCE REPORT CONTINUED

The procedures for Shareholders to put forward proposals at the AGM are available on the Company's website.

### PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

If a Shareholder wishes to propose a person other than a Director for election as a Director at an AGM or a general meeting, he/she can deposit a written notice to that effect signed by the Shareholder concerned at Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary.

The written notice must:

- state the full name of the person proposed for election as a Director;
- state the person's biographical details as required by Rule 13.51(2) of the Listing Rules; and
- be accompanied by a confirmation signed by the candidate indicating his/her willingness to be appointed.

The period for lodgement of the above notice shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of the such meeting provided that such period shall be at least seven days.

If the written notice is received after the AGM/general meeting notice has been despatched but later than seven clear calendar days prior to the date of the AGM/general meeting, the Company may need to consider the adjournment of the AGM/general meeting in order to allow a sufficient period of notice.

The procedures for Shareholders to propose a person for election as a Director at an AGM/general meeting are available on the Company's website.

### PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary to the registered office of the Company at Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the AGM/general meetings of the Company.

Shareholders' questions in relation to their shareholdings should be directed to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communication with its Shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has adopted a Shareholder Communication Policy, which is available on the Company's website. The principles of the Shareholder Communication Policy are:

### CORPORATE COMMUNICATIONS

The Company will generally communicate with Shareholders and the investing public through the following corporate communication materials:

- financial reports (interim and annual reports), quarterly production reports and sustainability reports;
- announcements, Shareholder circulars and other disclosures through the websites of the Hong Kong Stock Exchange and the Company; and
- other corporate communications, presentations, publications and media releases of the Company.

The Company endeavours to use plain, non-technical language in all its communication materials provided to Shareholders and where possible the communication materials are made available in both English and Chinese.

### INVESTOR RELATIONS

The Company may from time to time conduct investor/analyst briefings and presentations, road shows, site visits, or marketing activities for the financial community.

Communications and dialogues with Shareholders, investors, analysts, media or other parties will be conducted in compliance with the disclosure obligations and requirements under the Disclosure Framework, which aims to ensure equal, fair and timely dissemination of information.

### CORPORATE WEBSITE

A dedicated 'Investors and Media Centre' section is available on the Company's website where all corporate communication materials including materials published on the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) is posted as soon as practicable after their release.

The following information is available on the Company's website:

– the articles of association of the Company;
– the terms of reference of the Audit and Risk Management Committee and the Governance, Remuneration and Nomination Committee;
– a summary of the procedures for Shareholders to convene a general meeting, to put forward proposals at the AGM, and to propose a person for election as a Director;
– a news archive of stock exchange announcements and media releases; and
– an event calendar setting out important dates and forthcoming events of the Company.

Information on the Company's website is updated on a regular basis. Shareholders are encouraged to subscribe to news updates.

### SHAREHOLDER MEETINGS

Shareholders are encouraged to participate in AGM/general meetings or appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend.

Board members including the Chairman of the Board, and where appropriate, Chairmen and other members of the relevant Board committees or their delegates, appropriate management executives and representatives from the Company's external auditor will attend AGM/general meetings to answer Shareholders' questions.

In addition, separate resolutions are proposed at the AGM/general meetings on each substantially separate issue.

## DIVIDEND POLICY

In respect of code provision E.1.5 of Appendix 14 of the Listing Rules, the Company does not have a dividend policy. The Board will decide on the declaration/recommendation of any future dividends after taking into consideration a number of factors, including the prevailing market conditions, the Company's operating results, future growth requirements, liquidity position, and other factors that the Board considers relevant. The recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of dividend will be subject to the approval of Shareholders at the AGM.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

Respect for the environment is a core part of the way MMG operates. The objective of the Company is to maximise recycling and reuse and to minimise the draw on natural resources, with water being the most significant natural resource used in our operations. The Company also seeks to minimise energy use and the use of resources in the generation of electricity.

The environmental management approach is based on the principles of plan, do, check, act and aligns to the principles of ISO14001. The approach involves identification, assessment and control of material risks across all phases of our business, from exploration through to development, operation and then closure. The Company works in partnership with its Stakeholders to understand the challenges and opportunities of its activities, and how best to manage them.

The MMG Safety, Security, Health and Environment (SSHE) Performance Standard defines MMG's minimum requirements and provides the basis for sustainable environmental management through its deployment at its operations. These requirements are audited as part of an integrated assurance process.

Through the application of the MMG Operating Model, operations focus on essential environmental delivery work, supported by functional excellence that drives continual improvement of our management processes.

## KEY STAKEHOLDER RELATIONSHIPS

The Company seeks Stakeholder relationships based on trust, transparency and mutual respect for culture, values and heritage. Understanding the needs, expectations and aspirations of communities impacted by its operations is vital for the Company to achieve its vision and growth objectives.

The Company's key relationships are with its employees, communities, suppliers, governments, Shareholders, non-government organisations, industry and customers.

Areas of interest vary between each Stakeholder group but cover topics including economic performance, safety and health management, employee development and

# CORPORATE GOVERNANCE REPORT CONTINUED

well-being, environmental management and compliance and support for community and regional development.

Stakeholders interact with the Company through a variety of avenues including direct communication and meetings, receipt of newsletters and corporate publications, disclosures to the Hong Kong Stock Exchange and membership and representation on industry associations.

MMG has relationships with a range of customers globally for the sale of its products. The sales and marketing of all products is managed by a Group Sales and Marketing function that negotiates all terms and conditions at arm's length arrangements. All prices are referenced to LME or London Bullion Market Association market prices for the appropriate product sold. Further information is discussed in the Management Discussion and Analysis on pages 18 to 48 of this Annual Report.

Information on MMG's approach to environmental, social and governance issues will be reported in the 2020 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter 2021.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Company has adopted the Corporate Legal Compliance Standard and other practices to ensure adherence to applicable legal and regulatory requirements and, in particular, those that have a significant impact on the operations of the Group. Our Governance, Remuneration and Nomination Committee is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies and practices are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and business units from time to time.

## CONSTITUTIONAL DOCUMENTS

There was no change to the Company's articles of association during the year ended 31 December 2020.

# ESG APPROACH AND PERFORMANCE

MMG operates and develops copper, zinc and other base metals projects across Australia, the DRC and Peru. In 2020, MMG had four mining operations: Kinsevere, Las Bambas, Rosebery and Dugald River.

The Company is committed to responsible environmental and social performance and effective governance of its operations. This supports our growth strategy by helping to:

– manage reputational and regulatory risks;
– control costs and drive efficiencies;
– build strong stakeholder relationships; and
– attract and retain talented employees.

## ESG REPORTING AND MATERIALITY

The Company conducts a GRI-aligned materiality assessment to ensure that ESG issues which matter most to our stakeholders are reported.

The MMG Sustainability Report provides an annual summary on our approach and performance across our material sustainability issues. Elements of our sustainability reports are externally assured in line with our commitments as a member of the ICMM.

Further, information on MMG's approach to health and safety, social development, environmental performance, key stakeholder relationships and compliance with laws and regulations will be reported in the 2020 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter of 2021.

## CORPORATE GOVERNANCE

The Company complies with the principles of good corporate governance as set out in the Corporate Governance Code (CG Code) of the Hong Kong Listing Rules and maintains policies to meet both Board requirements and all external reporting obligations.

The Company is committed to upholding a high standard of corporate governance practices through a quality Board, sound internal controls, and transparency and accountability to all shareholders. We understand that good governance is not just a matter for the Board and it is equally the responsibility of executive management to embed governance practices throughout the organisation.

As a result, we have the Audit and Risk Management Committee and the Governance, Remuneration and Nomination Committee, both of which operate under clear Terms of References. We also have a number of Executive management committees, including the Executive Committee, the Disclosure Committee, Investment Review, Mineral Resources and Ore Reserves Committee and Code of Conduct and People Committee. A function of the Executive Committee is to review safety, health and environmental and social performance in order to improve efficiency and effectiveness. Specific Safety, Health, Environment and Community (SHEC) matters to be discussed by the Board include identification, review and governance of SHEC-related material issues, significant incidents, remediation/mitigation strategies and any specific areas of focus as identified by the Board.

In accordance with the Company's Sustainable Development Framework, owned and endorsed by the Board and implemented across the business, the Board carries out identification, review and governance of SHEC-related material issues consistent with this framework. The framework aligns with the ICMM's ten sustainable development principles. The Company's approach is informed by our Corporate Governance Policy, People Policy, Shareholder Communication Policy, SHEC Policy, and Quality and Materials Stewardship Policy.

The Company applies business-wide standards to define the minimum requirements to manage material risks, meet legal requirements and external reporting obligations, and to create and preserve competitive advantage and organisational effectiveness. Our assurance program focuses on verifying that the critical controls required to manage material risk events are implemented and effective. These standards provide the basis for sustainable operations and are aligned to the ICMM's Ten Principles of Sustainable Development and the eight ICMM Position Statements.

## COMPLIANCE

The Governance, Remuneration and Nomination Committee is responsible for developing and reviewing the Company's policies and practices on corporate governance, the Code of Conduct and monitoring MMG's compliance with the Listing Rules and other applicable laws.

Our Executive Committee monitors our performance in line with the Group's policies, standards and regulatory requirements relating to safety, health, environment and community.

# ESG APPROACH AND PERFORMANCE CONTINUED

## BUSINESS ETHICS

The Company's values and Code of Conduct set out our commitment to operating in a responsible manner. We expect all our employees, contractors and suppliers to integrate these standards of behaviour into their working practices. The Company's Code of Conduct covers areas such as conflict of interest, fraud, anti-corruption and legal compliance and its application is overseen by our Code of Conduct and People Committee, chaired by the Executive General Manager, Corporate Relations. MMG engages an independent confidential whistleblower service which is available to all employees globally in their local language. MMG's Whistleblower Framework explains the process for reporting any improper conduct, the protections afforded to people who report improper conduct, how such reports will be dealt with and the type of action which may be taken as a result. The Whistleblower Framework is an integral part of MMG's of the Corporate Legal Compliance Standard. MMG also has an Anti-Corruption Standard.

In 2020, there were no confirmed significant non-compliances with the Company's Code of Conduct identified.

## DEVELOPING AND SUPPORTING OUR WORKFORCE AND PROTECTING LABOUR RIGHTS

The Company has one Standard governing people and benefits matters globally; the People Standard. This Standard is supported with detailed Work Quality Requirements, systems and processes to ensure global standards and local requirements are met, which include policies related to compensation and dismissal, working hours, recruitment and promotion.

The Company is also aligned with all national legislation and legal requirements in the countries where our operations are located. The Company, through robust selection processes, chooses the best people for each position and rewards them competitively with salary and benefits that are in line with market conditions and their contribution to our overall business success. The Company is committed to sharing its successes with our communities through local employment opportunities and by investing in training and education to help local residents transition to careers in mining or related fields.

The Company provides its people with the opportunity to develop their skills, expertise and experience to optimise their contribution to our business and to develop their careers. The Company has two broad streams of vocational training: operational training and competency verification; to drive safety, efficiencies and manage material business risks.

In addition, the Company enables employees' professional development to enhance leadership capabilities and support career pathways. The Company undertakes extensive workforce and community engagement on, and offers support to, individuals affected by any business decisions to downsize or close operations.

The Company aims to provide safe workplaces that are free of discrimination and harassment, and which foster diversity and inclusion. The Company also has a global Diversity and Inclusion Model led by the Executive Committee. The Company, through the Code of Conduct and People Committee, provides guidance on diversity and inclusion policy and practice, working alongside the regions as they determine diversity and inclusion initiatives and actions specific to their region. MMG's approach to inclusion and diversity supports our comparative advantage in attracting and retaining talent, in addition to delivering business benefits associated with greater levels of collaboration.

The Company promotes good mental health practices in the workplace and supports our workers to be physically fit and well rested so that they are able to carry out their duties safely.

We are committed to upholding the International Labour Organization's (ILO) Declaration of Fundamental Principles and Rights at Work and their Core Labour Standards and comply with local labour laws. We uphold the rights of our employees to freedom of association and collective representation and endeavour to have positive and constructive negotiations with elected representatives of these groups. We also uphold the ILO Principles regarding the elimination of all forms of forced and child labour.

In 2020, there were no confirmed non-compliance incidents or grievances in relation to labour practices that have had a significant impact on the Group.

## COMMUNITY ENGAGEMENT

We recognise that strong stakeholder engagement from exploration through to the cessation of our mining activities is critical in ensuring that our business decisions are responsive to the needs and expectations of our host communities and governments. We aim to partner with our communities and strive to maintain socially and culturally inclusive and proactive communication with stakeholders regarding future plans and performance. MMG's commitment to the International Council on Mining and Metals (ICMM) Mining Principles, including the commitment to community dialogue and position on free, prior and informed consent regarding Indigenous people, guides our approach to stakeholder engagement. The Company's responsibilities regarding interactions and contribution to host communities are further defined in the Social Performance Standard.

In 2020, there were no confirmed non-compliance incidents or grievances in relation to human rights that have had a significant impact on the Group.

## SUPPLY CHAIN

The Company's supplier engagement and contract award process includes a comprehensive assessment across a range of criteria including commercial, social, safety, environment, quality and technical capabilities. As part of the supplier selection process we also assess a range of non-financial criteria around supporting sustainable development in the regions where we work, including local community training and commitment to local employment.

As part of our supplier engagement process, we seek formal agreement from suppliers to comply with our Code of Conduct and Anti-Corruption Standard as well as all relevant Company Standards, policies and procedures, including the Supply, Fatal Risk Management, Social Performance and Safety, Security, Health and Environment (SSHE) Performance Standards. In 2020 we regularly reviewed and reported on agreed contract performance measures, as well as identifying and actioning improvement opportunities.

In 2020, there were no confirmed non-compliance incidents or grievances in relation to supply chain management that have had a significant impact on the Group.

## PRODUCT STEWARDSHIP

The Company aims to supply metal and metal concentrate products that consistently meet customer quality expectations and that are safe for people and the environment in their intended use. We have processes for managing customer complaints to facilitate timely and satisfactory resolution.

The Product Stewardship Procedure guides our activities to understand the characteristics of our products and manage their potential impacts on human health and the environment during transportation, storage and handling. Shipments of our copper, zinc and lead concentrates comply with international maritime legislation and our products are classified in line with the International Maritime Organisation's (IMO) MARPOL Convention Annex V and the International Maritime Solid Bulk Cargoes Code.

The Company's global customers also have a shared responsibility for managing impacts throughout the life cycle of the goods they make from downstream processing of our products.

In 2020, the Group was not aware of any significant incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services that have had a significant impact on the Group.

## HEALTH AND SAFETY

MMG's first value is safety and we continually strive to eliminate fatalities, incidents and injuries at our workplaces. The Company's standards and procedures collectively define the way work should be planned, assigned and executed to achieve safe outcomes. These standards include Fatal Risk, SSHE Performance, contract management (Supply Standard), project management (Project Standard), plant and equipment maintenance (Production and Maintenance Standard) and learning from events (SSHEC Reporting Standard). Our Total Recordable Injury Frequency (TRIF) was 1.38 per million hours worked in 2020.

In 2020, MMG received no significant safety related fines or non-monetary sanctions.

## ENVIRONMENT

The Company is committed to minimising its environmental footprint and its use of natural resources. The Company's SSHE Performance Standard defines minimum requirements for the management of water, mineral and non-mineral wastes, land, biodiversity and cultural heritage, air, noise and vibration, and all sites are required to comply with these requirements.

The Company's approach to environmental management is based on the principle of continuous improvement and is aligned to the ISO14001. The approach involves identification, assessment and control of material environmental risks across all phases of our business, from exploration through to development, operation and closure. Further, the SSHE Performance Standard sets the

# ESG APPROACH AND PERFORMANCE CONTINUED

benchmark for the efficient use of resources and minimisation of environmental impacts from our operations that include mining, processing and transportation.

Site compliance with the requirements of the SSHE Performance Standard is internally audited as part of an integrated assurance process.

We acknowledge human induced climate change and its impacts on the environment, the economy and communities. We are committed to being part of the global solution including through taking actions to reduce emissions and the provision of minerals and metals required in a low carbon future.

Our focus on energy efficiency, while driven predominantly by the economic benefits of reduced power requirements in mining and comminution, delivers a secondary benefit of greenhouse gas emission reduction. In addition to this, MMG has commitments at its Kinsevere and Las Bambas operations to support extensive reafforestation of our neighbouring lands, which in turn delivers a carbon abatement outcome.

In 2020, there were no significant fines or penalties related to environmental management that have had a significant impact on the Group.

Information and data relating to the type and total air and greenhouse gas emissions, hazardous and non-hazardous waste produced, direct and indirect energy consumption and water consumption are listed in the 2020 Environmental Data section below and are managed in accordance with the Environmental Standard and core principles of ISO14001.

## 2020 ENVIRONMENTAL DATA

Consistent with our internal reporting, energy consumption is listed in gigajoules (GJ), emissions to air and waste is reported in tonnes, and water is reported in megalitres (ML). For consistency, ratios are calculated on a per tonne of ore milled or per thousand tonnes of ore milled basis.

### TABLE 1: TOTAL ENERGY CONSUMPTION (GJ)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 920,220 | 1,019,357 |
| Rosebery | 752,690 | 724,587 |
| Las Bambas | 11,231,173 | 11,364,541 |
| Kinsevere | 1,857,917 | 2,103,354 |
| **MMG Total** | **14,762,000** | **15,211,839** |

Note: Energy consumption made up of a mix of sources, including diesel, LPG, on grid electricity, explosives and others.

### TABLE 2: ENERGY CONSUMPTION (GJ/TONNES MILLED)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 0.47 | 0.52 |
| Kinsevere | 0.79 | 0.86 |
| Rosebery | 0.73 | 0.74 |
| Las Bambas | 0.22 | 0.25 |
| **MMG Total** | **0.26** | **0.30** |

## TABLE 3: DIRECT AND INDIRECT ENERGY CONSUMPTION (GJ)

| SITE AND YEAR | DIRECT ENERGY CONSUMPTION | INDIRECT ENERGY CONSUMPTION |
|---|---|---|
| **Dugald River** | | |
| 2019 | 171,106 | 624,105 |
| 2020 | 212,252 | 691,396 |
| **Kinsevere** | | |
| 2019 | 1,155,708 | 630,544 |
| 2020 | 1,357,122 | 698,776 |
| **Las Bambas** | | |
| 2019 | 6,306,985 | 4,193,816 |
| 2020 | 6,647,479 | 3,979,022 |
| **Rosebery** | | |
| 2019 | 235,144 | 476,587 |
| 2020 | 203,020 | 487,781 |
| **MMG Total** | | |
| **2019** | **7,868,943** | **5,925,052** |
| **2020** | **8,419,873** | **5,856,975** |

## TABLE 4: TOTAL GREENHOUSE GAS EMISSIONS (TONNES $CO_2$-E)

| SITE AND YEAR | DIRECT GHG EMISSIONS | INDIRECT GHG EMISSIONS | TOTAL |
|---|---|---|---|
| **Dugald River** | | | |
| 2019 | 11,709 | 113,309 | 125,018 |
| 2020 | 14,503 | 101,206 | 115,709 |
| **Kinsevere** | | | |
| 2019 | 71,522 | 143 | 71,665 |
| 2020 | 47,303 | 153 | 47,456 |
| **Las Bambas** | | | |
| 2019 | 436,665 | 293,707 | 730,372 |
| 2020 | 461,546 | 276,494 | 738,040 |
| **Rosebery** | | | |
| 2019 | 15,807 | 25,153 | 40,960 |
| 2020 | 13,471 | 20,315 | 33,786 |
| **MMG Total** | | | |
| **2019** | **535,703** | **432,312** | **968,015** |
| **2020** | **536,823** | **398,168** | **934,991** |

## TABLE 5: GREENHOUSE GAS (GHG) EMISSIONS (TONNES CO2-E/'000 TONNES MILLED)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 63 | 59.1 |
| Kinsevere | 30.4 | 19.4 |
| Rosebery | 39.8 | 34.5 |
| Las Bambas | 14.2 | 16.3 |
| **MMG Total** | **17.1** | **18.5** |

# ESG APPROACH AND PERFORMANCE CONTINUED

## TABLE 6: AIR EMISSIONS (TONNES)

| | 2019 | 2020 |
|---|---|---|
| **Oxides of Nitrogen ($NO_x$)** | | |
| Dugald River | 101 | 119 |
| Kinsevere | 3,416 | 1,923 |
| Las Bambas | 11,471 | 20,764 |
| Rosebery | 95 | 106 |
| **MMG Total** | **15,083** | **22,912** |
| **Oxides of Sulphur ($SO_x$)** | | |
| Dugald River | 0 | 0 |
| Kinsevere | 3 | 2 |
| Las Bambas | 7 | 6 |
| Rosebery | 0 | 0 |
| **MMG Total** | **10** | **8** |
| **Particulate Matter ($PM_{10}$)** | | |
| Dugald River | 312 | 371 |
| Kinsevere | 637 | 178 |
| Las Bambas | 3,630 | 3,935 |
| Rosebery | 302 | 421 |
| **MMG Total** | **4,881** | **4,905** |
| **Volatile Organic Compounds (VOCs)** | | |
| Dugald River | 11 | 13 |
| Kinsevere | 239 | 144 |
| Las Bambas | 511 | 675 |
| Rosebery | 7 | 9 |
| **MMG Total** | **768** | **841** |

## TABLE 7: TOTAL HAZARDOUS WASTE (TONNES)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 156 | 241 |
| Kinsevere | 174 | 49 |
| Rosebery | 505 | 531 |
| Las Bambas | 2,201 | 1,692 |
| **MMG Total** | **3,038** | **2,513** |

## TABLE 8: HAZARDOUS WASTE PRODUCED (TONNES/'000 TONNES MILLED)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 0.08 | 0.12 |
| Kinsevere | 0.07 | 0.02 |
| Rosebery | 0.50 | 0.56 |
| Las Bambas | 0.04 | 0.04 |
| **MMG Total** | **0.05** | **0.05** |

### TABLE 9: TOTAL NON-HAZARDOUS WASTE (TONNES)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 2,427 | 2,906 |
| Kinsevere | 221 | 106 |
| Rosebery | 2,243 | 2,340 |
| Las Bambas | 21,386 | 15,951 |
| **MMG Total** | **26,277** | **21,303** |

### TABLE 10: NON-HAZARDOUS WASTE PRODUCED (TONNES/'000 TONNES MILLED)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 1.23 | 1.48 |
| Kinsevere | 0.09 | 0.04 |
| Rosebery | 2.18 | 2.39 |
| Las Bambas | 0.42 | 0.35 |
| **MMG Total** | **0.46** | **0.42** |

### TABLE 11: TOTAL WATER CONSUMPTION (ML)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 2,607 | 2,024 |
| Kinsevere | 1,815 | 1,913 |
| Rosebery | 522 | 185 |
| Las Bambas | 16,105 | 15,484 |
| **MMG Total** | **21,049** | **19,606** |

### TABLE 12: TOTAL WATER CONSUMPTION (ML/'000 TONNES MILLED)

| SITE | 2019 | 2020 |
|---|---|---|
| Dugald River | 1.32 | 1.02 |
| Kinsevere | 0.76 | 0.78 |
| Rosebery | 0.51 | 0.19 |
| Las Bambas | 0.31 | 0.34 |
| **MMG Total** | **0.37** | **0.38** |

# INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

## TO THE MEMBERS OF MMG LIMITED
(incorporated in Hong Kong with limited liability)

### OPINION

We have audited the consolidated financial statements of MMG Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 97 to 182, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and. have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## TO THE MEMBERS OF MMG LIMITED – CONTINUED

(incorporated in Hong Kong with limited liability)

### KEY AUDIT MATTERS – CONTINUED

| KEY AUDIT MATTERS | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS |
|---|---|
| **Refinancing and continued availability of debt facilities** | |
| We have identified the ability which the Group management has to refinance its existing debt facilities as well as the availability of additional debt facilities as a key audit matter as the management of these key financing activities are essential to the cash flow forecasts prepared for the Group for the 12 months following the approval of the annual financial statements. The Group management prepares a cash flow forecast which involves inherently complex and subjective management judgements and estimates based on management's input of key variables and market conditions.<br><br>As set out in note 2.1(a) to the consolidated financial statements, the Group expects to continue to generate positive operating cash flows for the 12 months following the approval of the annual financial statements, with the benefit of recent and forecast improvements in commodity prices. However, the Group's ability to transfer cash generated in certain regions to the rest of the Group is subject to satisfying certain conditions. As set out in note 24, the Group has debts with an aggregate principal amount of US$879.5 million maturing within the next 12 months which will need to be refinanced or repaid and replaced.<br><br>As set out in notes 2.1(a) and 32.1(e), the Group has various funding options available to it should a need arise, including the financial support from its major shareholder. | Our procedures in relation to the refinancing and continued availability of debt facilities included:<br><br>– Reviewing management's internal assessment of the impact of COVID-19 on the Group;<br>– Testing key controls over the cash flow forecasts performed and associated disclosures;<br>– Challenging the key assumptions in management's forecast cash flows for the next 12 months;<br>– Assessing the consistency of the cash flow forecasts against the budget approved by the board of directors of the Company;<br>– Assessing consistency between the cash flow forecasts used to test the Group's going concern basis and those used in the asset impairment assessment including forecast commodity prices and third party data;<br>– Assessing the historical accuracy of forecasts prepared by Group management;<br>– Agreeing the Group's committed debt facilities to supporting documents;<br>– Performing stress tests for a range of reasonably possible scenarios (including changes in commodity prices) on management's cash flow and covenant compliance forecasts for the 12 months following the approval of the annual financial statements;<br>– Challenging management's plans for mitigating any identified exposures, including their ability to amend the terms of their existing financing arrangements or obtain additional sources of financing to comply with covenants;<br>– Obtaining and reviewing a letter from its major shareholder which confirmed their financial support to the Group should the Group be unable to pay its debts; and<br>– Assessing the appropriateness of the related disclosures included in note 2.1(a) to the .consolidated financial statements. |

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF MMG LIMITED – CONTINUED

(incorporated in Hong Kong with limited liability)

### KEY AUDIT MATTERS – CONTINUED

**Impairment of goodwill and other non-current assets**

We identified the impairment of goodwill and other non-current assets as a key audit matter due to the significance of these balances in the Group's consolidated statement of financial position and the estimation of recoverable amount of each cash generating unit ("CGU") involves complex and subjective management estimates based on management's judgement of key variables and market conditions such as future commodity prices, future exchange rates, future operating performance, the timing and approval of future capital and operating expenditure, and the discount rate.

As at 31 December 2020, the Group has property, plant and equipment of US$10,075.9 million and goodwill of US$528.5 million, accounting for approximately 81.9% and 4.3% of the Group's total assets as at 31 December 2020 respectively, contained within its CGUs as disclosed in notes 2.7, 3.1(d), 12 and 14 to the consolidated financial statements.

Goodwill and indefinite life intangible assets are required to be tested for impairment annually. As a result, management completed impairment testing for the Las Bambas CGU as at 31 December 2020. In addition, given the impairment recognised for Kinsevere during the prior year as well as the reliance placed on the Kinsevere Development Project, impairment assessment procedures were also performed for the Kinsevere CGU. Following management's assessment, no impairment reversal of nor impairment has recognised been against these CGUs for the year ended 31 December 2020.

Our procedures in relation to the impairment assessment of goodwill and other non-current assets included:

- Testing key controls over the valuation of the Group's non-financial assets and goodwill, including those to determine asset impairments or reversals;
- Working with valuation specialists to:
  - Evaluate the appropriateness of the model used by management to calculate the fair value less cost of disposal of the individual CGUs;
  - Assess and challenge the reasonableness of the key assumptions such as forecast commodity prices, discount rates and country specific risk rates used including agreeing them to external market data;
  - Review and assess the appropriateness of mining-based assumptions, including dilution and recovery rates, ore grades and ramp-up profiles included within the models; and
  - Challenge management's sensitivity analysis on key variables (e.g. commodity pricing).
- Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU;
- Evaluating the competence and objectivity of management's experts who assisted in the valuation, including those who prepared the resource and reserve estimates;
- Evaluate comparable market transactions that support the valuation of exploration potential value included in the relevant CGU; and
- Assessing the appropriateness of the related disclosures included in note 12 to the consolidated financial statements.

## TO THE MEMBERS OF MMG LIMITED – CONTINUED

(incorporated in Hong Kong with limited liability)

### KEY AUDIT MATTERS – CONTINUED

| Accounting for uncertain tax matters | |
|---|---|
| We identified the accounting for uncertain tax matters as a key audit matter due to the Group's related party relationships and associated tax implications of substantial transactions, the significant judgement involved in the determination of the tax positions and the relevant estimates and assumptions in light of the number of jurisdictions in which the Group operates, including judgement concerning residency of key operations and holding companies, application of transfer pricing rules, the recognition of deferred income tax assets, the taxation impacts of any corporate restructurings and the recognition and measurement of provisions for tax exposures that may arise and associated disclosures.<br><br>This gives rise to complexity and uncertainty in respect of the calculation of income taxes and deferred taxation and consideration of contingent liabilities associated with tax years open to audit.<br><br>As at 31 December 2020, the Group operates across a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes, change of taxation laws, and transaction related tax matters as disclosed in notes 3.2(a), 8, 18, 19 and 36 to the consolidated financial statements. | Our procedures in relation to the accounting for uncertain tax matters included:<br><br>– Testing key controls relating to the accounting for and the disclosure of tax related transactions and matters;<br>– Working with tax specialists in Australia, Peru and Democratic Republic of Congo to evaluate the Group's tax obligations, review tax computations of the Group, obtain an understanding of the current status of tax assessments and investigations and to evaluate developments in ongoing tax disputes, if any;<br>– Assessing the recognition and measurement of any relevant deferred tax assets, deferred tax liabilities and current provisions for tax;<br>– Reading recent rulings, correspondence with local tax authorities and the advices from management's external tax advisors with the assistance from our tax specialists, to satisfy ourselves that the tax provisions recognised or contingent liabilities disclosed have been appropriately recorded or adjusted to reflect the latest external developments;<br>– Assessing the Group's related party relationships for any transactions and associated tax implications outside the normal course of business; and<br>– Assessing the appropriateness of the related disclosures included in notes 3.2(a), 8, 18, 19 and 36 to the consolidated financial statements. |

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## TO THE MEMBERS OF MMG LIMITED – CONTINUED
(incorporated in Hong Kong with limited liability)

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of ·consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong

3 March 2021

# FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | YEAR ENDED 31 DECEMBER | |
|---|---|---|---|
| | NOTES | 2020 US$ MILLION | 2019 US$ MILLION |
| Revenue | 4 | 3,033.7 | 3,011.6 |
| Other income | 5 | 12.2 | 14.0 |
| Expenses (excluding depreciation and amortisation) | 6 | (1,666.2) | (1,564.1) |
| **Earnings before interest, income tax, depreciation and amortisation – EBITDA** | | **1,379.7** | **1,461.5** |
| Depreciation and amortisation expenses | 6 | (927.8) | (969.6) |
| Impairment expense | 12 | - | (150.0) |
| **Earnings before interest and income tax – EBIT** | | **451.9** | **341.9** |
| Finance income | 7 | 1.9 | 11.2 |
| Finance costs | 7 | (401.4) | (523.1) |
| **Profit/(loss) before income tax** | | **52.4** | **(170.0)** |
| Income tax expense | 8 | (46.8) | (25.3) |
| **Profit/(loss) for the year** | | **5.6** | **(195.3)** |
| | | | |
| **Profit/(loss) for the year attributable to:** | | | |
| Equity holders of the Company | | (64.7) | (230.4) |
| Non-controlling interests | | 70.3 | 35.1 |
| | | **5.6** | **(195.3)** |
| **Loss per share for loss attributable to equity holders of the Company** | | | |
| **Basic loss per share** | 9 | **US (0.80) cents** | **US (2.86) cents** |
| **Diluted loss per share** | 9 | **US (0.80) cents** | **US (2.86) cents** |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | 2020 US$ MILLION | 2019 US$ MILLION |
| **Profit/(loss) for the year** | **5.6** | **(195.3)** |
| | | |
| **Other comprehensive loss** | | |
| *Items that may be reclassified to profit or loss* | | |
| Fair value loss on hedging instruments designated as cash flow hedges | (18.6) | - |
| Income tax relating to cash flow hedges | 5.8 | - |
| *Item that may not be reclassified to profit or loss* | | |
| Remeasurement on the net defined benefit liability | (1.7) | - |
| **Other comprehensive loss for the year, net of income tax** | **(14.5)** | **-** |
| | | |
| **Total comprehensive loss for the year** | **(8.9)** | **(195.3)** |
| | | |
| **Attributable to:** | | |
| Equity holders of the Company | (76.5) | (230.4) |
| Non-controlling interests | 67.6 | 35.1 |
| | **(8.9)** | **(195.3)** |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

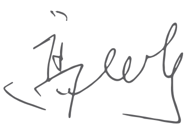
| | NOTES | AT 31 DECEMBER 2020 US$ MILLION | AT 31 DECEMBER 2019 US$ MILLION |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 10,075.9 | 10,394.2 |
| Right-of-use assets | 13 | 122.8 | 140.6 |
| Intangible assets | 14 | 546.5 | 567.5 |
| Inventories | 17 | 76.2 | 106.4 |
| Deferred income tax assets | 18 | 238.6 | 180.4 |
| Other receivables | 19 | 78.6 | 210.3 |
| Other financial assets | 20 | 1.7 | 3.1 |
| **Total non-current assets** | | **11,140.3** | **11,602.5** |
| **Current assets** | | | |
| Inventories | 17 | 416.5 | 382.2 |
| Trade and other receivables | 19 | 522.8 | 361.6 |
| Current income tax assets | | 25.7 | 101.3 |
| Cash and cash equivalents | 21 | 192.7 | 217.5 |
| **Total current assets** | | **1,157.7** | **1,062.6** |
| **Total assets** | | **12,298.0** | **12,665.1** |
| **EQUITY** | | | |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 22 | 2,917.6 | 2,912.2 |
| Reserves and accumulated losses | 23 | (1,981.2) | (1,900.0) |
| | | **936.4** | **1,012.2** |
| Non-controlling interests | 16 | 1,733.3 | 1,665.7 |
| **Total equity** | | **2,669.7** | **2,677.9** |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

| | NOTES | AT 31 DECEMBER 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 24 | 6,306.7 | 6,853.7 |
| Lease liabilities | 25 | 128.5 | 138.3 |
| Provisions | 26 | 546.5 | 471.3 |
| Derivative financial liabilities | 27 | 10.7 | - |
| Other financial liabilities | 28 | 145.4 | 135.7 |
| Trade and other payables | 29 | 112.2 | - |
| Deferred income tax liabilities | 18 | 865.2 | 880.0 |
| **Total non-current liabilities** | | **8,115.2** | **8,479.0** |
| **Current liabilities** | | | |
| Borrowings | 24 | 872.8 | 774.6 |
| Lease liabilities | 25 | 20.2 | 22.5 |
| Provisions | 26 | 97.9 | 117.4 |
| Derivative financial liabilities | 27 | 29.3 | - |
| Trade and other payables | 29 | 470.2 | 591.3 |
| Current income tax liabilities | | 22.7 | 2.4 |
| **Total current liabilities** | | **1,513.1** | **1,508.2** |
| **Total liabilities** | | **9,628.3** | **9,987.2** |
| **Net current liabilities** | | **(355.4)** | **(445.6)** |
| **Total equity and liabilities** | | **12,298.0** | **12,665.1** |

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



GAO XIAOYU
**CEO AND EXECUTIVE DIRECTOR**

XU JIQING
**NON-EXECUTIVE DIRECTOR**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | |
|---|---|---|---|---|---|---|
| **US$ MILLION** | **SHARE CAPITAL (NOTE 22)** | **TOTAL RESERVES (NOTE 23)** | **ACCUMULATED LOSSES (NOTE 23)** | **TOTAL** | **NON-CONTROLLING INTERESTS (NOTE 16)** | **TOTAL EQUITY** |
| **At 1 January 2020** | **2,912.2** | **(1,899.1)** | **(0.9)** | **1,012.2** | **1,665.7** | **2,677.9** |
| (Loss)/profit for the year | - | - | (64.7) | **(64.7)** | 70.3 | **5.6** |
| Other comprehensive loss | - | (11.8) | - | **(11.8)** | (2.7) | **(14.5)** |
| **Total comprehensive (loss)/ income for the year** | **-** | **(11.8)** | **(64.7)** | **(76.5)** | **67.6** | **(8.9)** |
| Employee long-term incentives | - | (0.5) | - | **(0.5)** | - | **(0.5)** |
| Employee share options exercised and vested | 5.4 | (4.2) | - | **1.2** | - | **1.2** |
| Employee share options lapsed | - | (2.1) | 2.1 | **-** | - | **-** |
| **Total transactions with owners** | **5.4** | **(6.8)** | **2.1** | **0.7** | **-** | **0.7** |
| **At 31 December 2020** | **2,917.6** | **(1,917.7)** | **(63.5)** | **936.4** | **1,733.3** | **2,669.7** |

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

| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | |
|---|---|---|---|---|---|---|
| **US$ MILLION** | **SHARE CAPITAL (NOTE 22)** | **TOTAL RESERVES (NOTE 23)** | **RETAINED PROFITS (ACCUMULATED LOSSES) (NOTE 23)** | **TOTAL** | **NON-CONTROLLING INTERESTS (NOTE 16)** | **TOTAL EQUITY** |
| **At 1 January 2019** | **2,910.8** | **(1,898.0)** | **228.6** | **1,241.4** | **1,630.6** | **2,872.0** |
| (Loss)/profit for the year | - | - | (230.4) | **(230.4)** | 35.1 | **(195.3)** |
| **Total comprehensive (loss)/ income for the year** | **-** | **-** | **(230.4)** | **(230.4)** | **35.1** | **(195.3)** |
| Employee share options exercised and vested | 1.4 | (0.2) | - | **1.2** | - | **1.2** |
| Employee share options lapsed | - | (0.9) | 0.9 | **-** | - | **-** |
| **Total transactions with owners** | **1.4** | **(1.1)** | **0.9** | **1.2** | **-** | **1.2** |
| **At 31 December 2019** | **2,912.2** | **(1,899.1)** | **(0.9)** | **1,012.2** | **1,665.7** | **2,677.9** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | NOTES | YEAR ENDED 31 DECEMBER 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 3,142.9 | 3,470.8 |
| Payments to suppliers and employees | | (1,797.8) | (2,090.4) |
| Payments for exploration expenditure | | (19.3) | (37.7) |
| Income tax refunds/(paid) | | 32.4 | (197.6) |
| **Net cash generated from operating activities** | 30 | **1,358.2** | **1,145.1** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 30 | (514.6) | (476.3) |
| Purchase of intangible assets | | (2.0) | (0.1) |
| Payments of support package associated with disposal of Century mine | | - | (8.1) |
| Proceeds from disposal of property, plant and equipment | | 0.8 | 3.7 |
| **Net cash used in investing activities** | | **(515.8)** | **(480.8)** |
| **Cash flows from financing activities** | | | |
| Proceeds from external borrowings | 24 | 525.7 | 225.0 |
| Repayments of external borrowings | 24 | (1,209.0) | (636.4) |
| Proceeds from related party borrowing | 24 | 650.0 | - |
| Repayments of related party borrowing | 24 | (420.0) | (100.0) |
| Proceeds from shares issued upon exercise of employee share options | | 1.2 | 1.2 |
| Repayment of lease liabilities | 25 | (36.5) | (40.7) |
| Interest and financing costs paid on external borrowings | | (262.3) | (369.3) |
| Interest and financing costs paid on related party borrowings | | (101.7) | (99.2) |
| Withholding taxes paid in respect of financing arrangements | | (16.7) | (40.6) |
| Interest received | | 2.1 | 11.3 |
| **Net cash used in financing activities** | | **(867.2)** | **(1,048.7)** |
| **Net decrease in cash and cash equivalents** | | **(24.8)** | **(384.4)** |
| Cash and cash equivalents at 1 January | | 217.5 | 601.9 |
| **Cash and cash equivalents at 31 December** | 21 | **192.7** | **217.5** |

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

MMG Limited (the "Company") is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Unit 1208, 12/F, China Minmetals Tower, 79 Chatham Road South, Tsimshatsui, Kowloon, Hong Kong. The principal place of business of the Company is disclosed in the Corporate Information section to the Group's 2020 Annual Report.

The Company is an investment holding company listed on the main board of The Stock Exchange of Hong Kong Limited ("HKEx"). The Company was listed on the Australian Securities Exchange ("ASX") until it was delisted from the ASX on 4 December 2019.

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

The consolidated financial statements for the year ended 31 December 2020 are presented in United States dollars ("US$") unless otherwise stated and were approved for issue by the Board of Directors of the Company (the "Board") on 3 March 2021.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") – a collective term that includes 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"). These consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss and through other comprehensive income, which are measured at fair value.

The preparation of consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### (a) Going Concern

The consolidated 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. Management continues to closely monitor the liquidity position of the Group, which includes the sensitised analysis of forecast cash balances for key financial risks (including commodity and foreign exchange risks) over the short and medium term to ensure adequate liquidity is maintained.

For the year ended 31 December 2020, the Group generated a net profit of US$5.6 million (2019: net loss of US$195.3 million). At 31 December 2020, the Group had net current liabilities of US$355.4 million (2019: US$445.6 million) and generated net operating cash inflows of US$1,358.2 million (2019: US$1,145.1 million) and total net cash outflows of US$24.8 million (2019: US$384.4 million), after investing and financing cash flows.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debt service and capital expenditure requirements for the 12 month period from the approval of the consolidated financial statements. Such cash flow forecasts include expected drawdowns from existing revolving credit facilities.

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

- At 31 December 2020, total cash and cash equivalents of US$192.7 million (2019: US$217.5 million) were held by the Group;
- The demonstrated strong ongoing support of the Group's major shareholder, China Minmetals Corporation ("CMC"). During the year, a US$100.0 million working capital facility provided by Top Create Resources Limited ("Top Create") (a subsidiary of CMC) with original maturity date of April 2021, was increased to US$200.0 million and extended to a revised maturity date of October 2021. In addition, another US$300.0 million working capital facility was provided by Top Create with an initial maturity date of December 2020 which was subsequently extended to June 2021. The first repayment of US$700.0 million for the Shareholder Loan

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

which was originally due in July 2021 has also been re-negotiated for payment in July 2024 with reduced interest rates;

- The Group has ongoing trading support of the China Minmetals Non-ferrous Metals Co., Ltd ("CMN") and joint venture partner CITIC Metal Peru Investment Limited ("CITIC") each as direct or indirect off-takers of Las Bambas production. This has been demonstrated by the agreement with each party for early payment on cargos already shipped and invoiced as well as sale of inventory held at both port and site in 2020 and 2021. Early payments are permitted up to an aggregate amount of US$200.0 million until 31 December 2021, allocated to each party in their respective off-take proportions;
- The Group has positive relationships with its external financiers, who continue to provide strong support. During the year, the existing syndicate lenders of Minera Las Bambas S.A. ("MLB") provided an additional US$800.0 million three years revolving credit facility to support the operation through the COVID-19 pandemic. Also, during the year, the Group (excluding MLB) agreed an additional US$85.0 million facility with China Development Bank maturing in September 2023 and a new US$300.0 million revolving credit facility with Industrial and Commercial Bank of China ("ICBC") maturing in December 2023;
- At 31 December 2020, MMG South America Management Company Limited and its subsidiaries ("Las Bambas Joint Venture Group") had available undrawn debt facilities of US$1,150.0 million (2019: US$350.0 million). The maturities of these facilities range from August 2022 to October 2023;
- At 31 December 2020, the Group (excluding the Las Bambas Joint Venture Group) had undrawn debt facilities of US$650.0 million (2019: US$220.0 million). The maturities for the credit facilities range from June 2021 to December 2023; and
- In respect of the plan for Kinsevere's expansion to include sulphide operations in addition to the current oxide operation and produce cobalt in addition to copper (the "Kinsevere Expansion Plan"), the Group is in discussions with lenders and investors for funding of the potential expansion.

In the event forecast cash flow is not achieved or that existing or new debt facilities are insufficient or not obtained within time, the Group has the support of its major shareholder, CMC. In this circumstance, support to the Group may be in the form of providing additional debt facilities, deferral of debt service and repayment obligations in relation to existing shareholder loans from CMC, or through further equity contributions.

As a result, the Directors are of the view that the Group will be able to meet its debts as and when they fall due and accordingly the Directors have prepared the consolidated financial statements on a going concern basis.

### (b) Amendments to existing standards effective and adopted in 2020 with no significant impact to the Group

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16 | Interest Rate Benchmark Reform Phase I and Phase II[1] |
| Amendments to HKFRS 16 | COVID-19 Related Rent Concessions[1] |
| Amendments to HKFRS 3 | Definition of a Business |

1. The Group has early adopted these amendments, which have been issued and are effective for the Group for annual period beginning on 1 January 2020.

There has been no significant impact due to the adoption or early adoption of any of the above noted standards or amendments thereto.

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

The Group has not early adopted the following new standards and amendments to standards that have been issued but are not effective for financial year 2020. The Group does not expect them to have material impact to the Group's financial results.

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and the related Amendments[1] |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[2] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020[2] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[2] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |

Effective for the Group for annual periods beginning on or after:
1. 1 January 2023
2. 1 January 2022
3. Effective date to be determined

## 2.2 CONSOLIDATION

### (a) Acquisition method of accounting for non-common control combination

The Group applies the acquisition method of accounting to account for business combinations other than common control combinations. The purchase consideration for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The purchase consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiaries. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, which is the date on which control is obtained. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss or other comprehensive income, as appropriate.

The excess of purchase consideration, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired are recorded as goodwill. If the total of purchase consideration, non-controlling interest recognised and previously held interest measured are less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

### (b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights to direct the relevant activities that significantly affect the entity's returns. The subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

### (c) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### (d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of the investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

## 2.3 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee of the Company.

## 2.4 FOREIGN CURRENCY TRANSLATION

### (a) Functional and presentation currency

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Company is US dollars (US$), which is also the presentation currency of the Group.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or reporting date where monetary items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statement of profit or loss.

## 2.5 PROPERTY, PLANT AND EQUIPMENT

### *Cost*

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of property, plant and equipment includes the estimated cost of mine rehabilitation, restoration and dismantling.

### *Depreciation and amortisation*

The major categories of property, plant and equipment are depreciated over the estimated useful lives of the assets on a unit of production or reducing balance basis as indicated below. The useful lives below are subject to the lesser of the asset categories' useful life and the life of the mine:

- Freehold land – Not depreciated or unit of production (tonnes mined) as applicable;
- Buildings – straight line over the useful life of the asset as applicable which do not exceed 40 years;
- Plant and machinery – Units-of-production (tonnes mined or milled) or straight line over the useful life of the asset as applicable which do not exceed 20 years;
- Mine property and development assets – Units-of-production (tonnes mined, milled, or metal produced);
- Exploration and evaluation assets – Not depreciated; and
- Construction in progress – Not depreciated.

Depreciation and amortisation commence when an asset is available for use.

The units-of-production method is applied based on assessments of proven and probable Ore Reserves and a portion of Mineral Resources available to be mined or processed by the current production equipment to the extent that such resources are considered to be economically recoverable. Resource and Reserves estimates are reviewed annually.

### (a) Exploration and evaluation assets

Exploration and evaluation activities include expenditure to identify potential Mineral Resources, determine the technical feasibility and assess the commercial viability of the potential Mineral Resources.

Exploration and evaluation costs that are incurred before the Group has obtained the legal right to explore an area, or are incurred up to and including the pre-feasibility phase, are recognised in the consolidated statement of profit or loss. Subsequent exploration and evaluation costs are capitalised as exploration and evaluation asset.

Exploration and evaluation costs that relate to an area of interest acquired as part of an asset acquisition or business combination are capitalised and the exploration and evaluation asset is measured at fair value on acquisition.

Exploration and evaluation assets are treated as tangible assets and classified as part of property, plant and equipment. As the assets are not yet ready for use they are not depreciated.

Exploration and evaluation assets are carried forward if the rights to the area of interest are current and the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by the sale of the asset. Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

The assets are monitored for indications of impairment and an assessment is performed where an indicator of impairment exists. For the purpose of the impairment testing, exploration and evaluation assets are allocated to cash-generating units (CGU) to which the exploration activity relates.

Once the technical feasibility and commercial viability of the development of an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

#### (b) Development expenditure

The following assets are classified directly as mine property and development assets from the commencement of development:

- Mineral rights balances representing identifiable exploration and evaluation assets including Mineral Resources and Ore Reserves acquired as part of a business combination and recognised at fair value at the date of acquisition; and
- Mine rehabilitation, restoration and dismantling assets.

All subsequent expenditure to develop the mine to the production phase is capitalised and classified as construction in progress. On completion of development, construction in progress balances are reclassified to land and buildings, plant and machinery or mine property and development categories of property, plant and equipment as appropriate.

#### (c) Overburden and waste removal

Overburden and other waste removal costs incurred in the development phase of a mine before production commences are initially capitalised as part of construction in progress. At the completion of development, costs are transferred to the mine property and development category of property, plant and equipment.

The Group defers a portion of waste removal costs incurred during the production phase of an open-pit operation as part of determining the cost of inventories. Current period waste mining expenses are allocated between current period inventory and deferred waste assets based on the ratio of waste tonnes mined to ore tonnes mined (waste to ore ratio). The amount of deferred waste asset is calculated for each separate component of the ore body identified based on mine plans. Current period expenses are deferred to the extent that the current period waste to ore ratio exceeds the life-of-mine waste to ore ratio for the identified component of ore body. Deferred waste assets are categorised in the mine property and development category of property, plant and equipment and are amortised over the life of the component on a units-of-production basis. Changes to estimates are accounted for prospectively.

#### (d) Other expenditure

When further development expenditure is incurred in respect of the mine property after the commencement of the production phase, or additional property, plant and equipment are acquired, such expenditure is capitalised and carried forward only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major spare parts are carried as property, plant and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property, plant and equipment. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the accounting period in which they are incurred.

#### (e) Disposal of property, plant and equipment

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and the carrying amount of the asset is recognised as a gain or loss in the consolidated statement of profit or loss within other income.

### 2.6 INTANGIBLE ASSETS

#### (a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the purchase consideration over

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

the interest of the Group in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the non-controlling interest in the acquiree.

Goodwill is not amortised and is tested for impairment annually (refer to Note 2.7). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the acquisition. Each unit or group of units to which the goodwill is allocated, represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

### (b) Software development

Development costs that are directly attributable to the design, testing and deployment of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs include direct materials, employee costs, services and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria and costs associated with maintaining computer software programs is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software development assets are amortised over their estimated useful lives, which do not exceed seven years.

## 2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

All intangible assets that have an indefinite useful life, for example goodwill, or are not ready for use are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use of an asset. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Any impairment loss related to goodwill is recognised immediately as an expense and is not subsequently reversed. Any impairment loss related to non-financial assets other than goodwill is reviewed and may be reversed at subsequent reporting dates. A reversal of previously recognised impairment loss is limited to the lesser of the amount that would not cause the carrying amount to exceed its recoverable amount or the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised.

## 2.8 LEASES

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

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

**(a) Right-of-use assets**

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19 related rent concessions in which the Group applied the practical expedient.

The cost of right-of-use asset includes:

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

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

**(b) Lease liabilities**

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

The lease payments include:

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

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

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

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

**(c) Lease modifications**

Except for COVID-19-related rent concessions, if any, where the Group is allowed to apply the practical expedient, the Group accounts for a lease modification as a separate lease if:

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As noted above, in relation to rent concessions occurring as a direct consequence of the COVID-19 pandemic, the Group is allowed to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

– the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
– any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
– there is no substantive change to other terms and conditions of the lease.

As per Note 2.1 (b), the Group has adopted the practical expedient to HKFRS 16, which allows the Group to account for changes in lease payments resulting from COVID-19 related rent concessions in the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payments would be accounted for as variable lease payments. The related lease liabilities would be adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group did not receive any COVID-19 pandemic related rent concessions for its leases and consequently, the adoption of the practical expedient explained above has not resulted in any financial impact to the Group.

## 2.9 FINANCIAL ASSETS

*Classification*

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

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

Gains or losses of assets measured at fair value will be recognised either through profit or loss ("FVTPL") or through other comprehensive income ("FVOCI"). For financial assets measured at FVOCI, impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these financial assets.

### (a) Amortised cost

A financial asset shall be measured at amortised cost if it is held within a business model. The objective of which is to hold financial assets in order to collect contractual cash flows, where the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### (b) Financial assets at fair value through profit or loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

*Recognition and measurements*

Regular purchases and sales of financial assets are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortised cost are measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated statement of profit or loss within expenses in the period in which they arise. The net gain or loss recognised in profit or loss arising from changes in the fair value of the financial assets at fair value through profit or loss excludes any dividend income.

Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the right of the Group to receive payment is established, the Group is probable to obtain the economic benefits associated with it and the amount can be measured reliably.

*Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparties.

*Impairment of financial assets*

The Group applies an expected credit loss ("ECL") approach in respect of receivables classified as financial assets at amortised cost, which is assessed on an individual basis for each counterparty at the end of each reporting period. The Group reviews credit risk with respect to the counterparty, likelihood or risk of default and forward-looking reasonable and supportable documentation in assessing a loss allowance for the respective financial asset at the end of each reporting period. The Group's consideration of credit risk takes into account, among other things, the instrument type, credit risk rating, date of initial recognition, remaining term to maturity and geographical location of the debtor. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit loss is measured at the present value of such difference in cash flows, discounted using the effective interest rate determined at initial recognition. The Group measures the loss allowance equal to 12-month ECL ("12m ECL"). In the event when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

**(c) Derivative financial instruments and hedge accounting**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) in a cash flow hedge is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform (for which both Phase I and II have been adopted by the Group).

*Assessment of hedging relationship and effectiveness*

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

In assessing the economic relationship between the hedged item and the hedging instrument the Group assumes that the interest rate benchmark on which the hedged cash flows and/or hedged risk are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The effective portion of changes in the fair value of the hedging instrument designated as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedge reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'finance income' or 'finance costs' line item for a financing hedge (e.g., an interest rate swap) or in 'other income/expense' (for any other hedges, e.g., a commodity hedge). As to cash flow statements disclosure, cashflow resulting from financing hedge (e.g., an interest rate swap) is part of 'financing activities' ; cashflow resulting from commodity hedge is part of 'operating activities'.

For the purpose of reclassifying the amount of gains or losses accumulated in the cash flow hedge reserve in order to determine whether the hedged future cash flows are expected to occur, the Group assumes the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

## 2.10 FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period. Other financial liabilities are classified as financial liabilities at fair value through profit or loss.

## 2.11 INVENTORIES

Inventories comprise raw materials, stores and consumables, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and less applicable variable selling expenses.

Costs are assigned to individual items of inventory based on weighted average costs. Costs include the costs of direct materials, overburden removal, mining, processing, labour, related transportation costs to the point of sale, an appropriate proportion of related production overheads, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities. They exclude borrowings costs.

## 2.12 TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at transaction price and subsequently measured at fair value through profit or loss. The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for contained metal is based on prevailing spot prices during a specified future date range after shipment to the customer (quotation period). In case of such provisional pricing arrangements, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices. Related trade receivable balances are recognised at fair value through profit and loss. Refer to Note 2.20 for details.

Other receivables are measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less, trade and other receivables are classified as current assets. If not, they are presented as non-current assets.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## 2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## 2.14 FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

### (a) Financial liabilities

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (b) Equity instruments

Equity instruments are any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Subsequent to initial recognition, the equity instrument is not remeasured. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.15 MINE REHABILITATION, RESTORATION AND DISMANTLING OBLIGATIONS

Provisions are made for the estimated cost of rehabilitation, restoration and dismantling relating to areas disturbed during the mine's operations up to the reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, top soiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated costs arising within 12 months) and non-current components, based on the expected timing of these cash flows. A corresponding asset is included in mine property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, otherwise a corresponding expense is recognised in the profit or loss. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date, the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of discount on provisions, which is recognised as a finance cost in the consolidated statement of profit or loss. Changes to capitalised cost result in an adjustment to future depreciation charges.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

### 2.16 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

A provision is recognised for the amount expected to be paid under short-term or long-term bonus entitlements if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the Director or employee and the obligation can be estimated reliably.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

### 2.17 CURRENT AND DEFERRED INCOME TAX

The tax expense recognised for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or subsequently enacted at the reporting date in the jurisdictions or where a stability agreement is applicable where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date or where a stability agreement is applicable and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention and agreement with tax authorities to settle the balances on a net basis.

*Tax consolidation – Australia*

The majority of the Australian subsidiaries of the Company are an income tax consolidated group and are taxed as a single entity. MMG Australia Limited is the head company of the Australian tax consolidated group.

The subsidiaries in the Australian tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right. In addition to its own current and deferred tax amounts, the head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the other entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements between entities within the tax consolidated group entities are utilised as amounts receivable from or payable to other entities within the tax consolidated group.

## 2.18 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

## 2.19 EMPLOYEE BENEFITS

### (a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued by employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### (b) Pension obligations – defined contribution plans

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

### (c) Long-term employee benefits

Long-term employee benefit obligations are measured at the present value of expected future payments to be made. Long-term benefits include post-employment defined benefit plan in Democratic Republic of the Congo ("DRC") and long service leave in Australia.

*Post-employment defined benefit plan*

Defined benefit obligation under the plan is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recorded as non-current liabilities. Consideration is given to expected future salary increase and historic attrition rates. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Re-measurements, if any, as a result of changes in actuarial assumptions are recognised in the consolidated statement of comprehensive income. Changes in the present value of the defined benefit obligation resulting from plan amendments are recognised as past service costs. Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of profit and loss while unwinding of the liability at discount rates used are recorded as financial cost.

*Long service leave*

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The Group applies simplified method of accounting as required by HKAS 19 Employee Benefits and all past service costs and actuarial gains and losses (where applicable) are recognised immediately.

### (d) Share-based compensation to employees

The Group operates multiple equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options or performance shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/performance shares granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and remaining employees of the entity over a specified period). Non-market vesting conditions are included in assumptions about the number of options/performance shares that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Group revises its estimates of the number of options/performance shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Options which lapse or are cancelled prior to their exercisable date are deleted from the register of outstanding options and the amount previously recognised in share-based payment reserve will be transferred to retained profits.

## 2.20 REVENUE RECOGNITION

Revenue is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of control and completion of distinctive performance obligations separately identified by the Group. Factors which indicate transfer of control include, but are not limited to, transfer of risk and reward, transfer of legal title to customer and a present right to payment.

Transaction price under the sales agreement is allocated to the various performance obligations under the relevant sales agreement and revenue is recognised in line with satisfaction of each performance obligation.

Revenue is presented net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

### (a) Sale of goods

Sale of goods is recognised upon transfer of control, which for majority of the products is the bill of lading date when the commodity is delivered for shipment, or in case of bill-and-hold arrangements, once a holding and title certificate is issued to the buyer together with the invoice. Depending on various incoterms associated with the sales agreement, the Group may have other performance obligations such as shipping service. Revenue may be allocated to various performance obligations and is recognised for each performance obligation as such obligations are fulfilled. Allocation of transaction price to other performance obligations (e.g., shipping services) is based on best estimate of a similar stand-alone service.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses. Revenues from the sale of significant by-products, such as gold and silver, are included in sales revenue.

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

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

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

The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for contained metal is based on prevailing spot prices during a specified future date range after shipment to the customer (quotational period). Adjustment to the sales price occurs based on movements in quoted market prices up to the completion of the quotational period. The period between provisional invoicing and quotational period completion is typically between 30 and 120 days.

In case of such provisional pricing arrangements, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices. Such fair value adjustments do not form part of the revenue recognised from customers and are governed under HKFRS 9. Related receivable balances are recognised at fair value through profit and loss.

Payment from customers is due within 2-30 working days of receiving the provisional invoicing and any adjustments as per the final invoice are payable in 2-60 working days.

#### (b) Interest and dividend income

Interest income is recognised on a time-proportion basis, using the effective interest method. Dividend income is recognised when right to receive dividend is established.

### 2.21 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders or the Board, as appropriate.

### 2.22 GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made estimates and judgements that affect the application of the Group's accounting policies. Estimates and judgements are reviewed on an ongoing basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 3.1 ESTIMATES

#### (a) Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted in accordance with the accounting policy in Note 2.15. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as the application of environmental legislation, the scope and timing of planned activities, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions. For non-operating sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

#### (b) Mineral Resources and Ore Reserves estimates

The estimated quantities of economically recoverable Mineral Resources and Ore Reserves are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

in reported Reserves and Resources estimates can impact the carrying value of property, plant and equipment through depreciation, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the consolidated statement of profit or loss. The changes are effective from next financial year following Board approval of the revised Reserves and Resources estimates.

### (c) Inventory valuation

Accounting for inventory involves the use of estimates. Such estimates include determination of the net realisable value of inventory (refer Note 2.11). Net realisable value is estimated based on expected selling price in the ordinary course of business, less estimated costs of completion and any applicable selling expenses. Management utilises the mine plan of the respective operations in order to estimate the net realisable value. Where the net realisable value is lower than the cost of inventory, the inventory value is reduced to reflect such difference. In particular, the lower grade ore inventory is generally susceptible to such value reduction. A change in assumptions may result in the net realisable value estimate to vary significantly, thereby impacting the overall inventory valuation.

### (d) Recoverability of non-financial assets

The recoverable amount of each of the Group's cash-generating units is determined as the higher of the asset's fair value less costs of disposal and its value in use in accordance with the accounting policy in Notes 2.7 and 12. These calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, exploration potential, future capital requirements and future operating performance.

### (e) Deferral of waste removal costs

The Group defers a portion of waste removal costs incurred during the production phase of an open-pit operation as part of determining the cost of inventories. The amount of deferred waste asset is calculated for each separate component of the ore body as identified by management based on mine plans.

### (f) Depreciation and amortisation

The Group allocates the depreciable amount of assets on a systematic basis over the relevant asset's useful life. Refer to Note 2.5 where depreciation methods and useful life estimates for major classes of assets has been disclosed. The estimation of the useful life of the asset is a matter of management judgement and changes in such estimation can result in material impact to the current and future depreciation and amortisation expenses. As per Group's policy, the depreciation method is re-assessed periodically and changes are made where management believes that such changes in depreciation method or useful life estimate are required to better reflect the pattern of consumption of economic benefits embodied in the asset.

***Change in estimate during the year:***

During the year, management has reassessed the useful life of certain assets as follows:

- The useful life of levels succeeding level 1 of the tailing storage facility (TSF) at Las Bambas, was changed from its anticipated capacity to the useful life of the TSF as a whole; and
- For certain assets included in mine property and development category, the useful life was changed from Units of Production (UoP) based on ore mined, to ore milled.

The above changes have resulted in depreciation for the year to be lower by US$45.6 million. Management believes the amended useful lives better reflect the usage of the respective assets.

## 3.2 JUDGEMENTS

### (a) Taxes

The Group is subject to tax in a number of jurisdictions. Some of these are in countries that carry higher levels of sovereign risk. Management continually assesses the levels of sovereign risk in determining whether political and administrative changes and reforms in laws, regulations or taxation may impact the Group's future performance.

Significant judgement is required in determining the tax position and the estimates and assumptions in relation to the provision for taxes and the recovery of tax assets, having regard to the nature and timing of their origination and compliance with the relevant tax legislation. There are some tax matters for which the ultimate tax determination is uncertain during the ordinary course of business, which could have a significant impact on the Group. Where the final outcome of pending tax matters is different from the amounts that were initially recognised, such differences will impact the balances in the accounting period in which such determination is made. Also refer to Note 36 in respect of tax matters with uncertain outcomes, which could result in further claims in future against the Group.

A number of above-mentioned tax matters exist at MLB, which is also currently subject to multiple audits and reviews by the Peruvian taxation authority in relation to value added taxes ("VAT"), withholding taxes and income taxes. Some of these tax matters relate to Glencore plc's period of ownership and may be subject to potential indemnity claims. At 31 December 2020 and 2019, the Group had certain indemnity claims in court against Glencore plc and its subsidiaries ("Glencore"). During 2020, certain of the indemnity claims from prior year were settled.

For some of the tax matters under audit in Peru, MLB may appeal and not to pay any assessed amount if unfavourable assessment resolutions were ultimately issued, or make judgements as to the timing of payments in relation to these matters. The timing of resolution and potential economic outflow of the unresolved tax matters are uncertain. Some of these uncertain tax matters are either incapable of being measured reliably or there is remote possibility of economic outflow at the reporting date. As such, no provision has been reflected in the consolidated financial statements for those tax matters. Additionally, for certain tax matters under audit in Peru, as noted above, no disclosure of an estimate of financial effect of the subject matter has been made in the consolidated financial statements as, in the opinion of the management, such disclosure may seriously prejudice the position of the Group in dealing with these matters.

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

### (b) Leases

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

## 4. SEGMENT INFORMATION

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

The Company's Executive Committee has been identified as the CODM. The Executive Committee reviews the Group's internal reporting of these operations in order to assess performance and allocate resources.

The Group's reportable segments are as follows:

| | |
|---|---|
| Las Bambas | The Las Bambas mine is a large open-pit, scalable, long-life copper and molybdenum mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru. |
| Kinsevere | Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the DRC. |
| Dugald River | The Dugald River mine is an underground zinc mining operation located near Cloncurry in North West Queensland. |
| Rosebery | Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. |
| Other | Includes mine sites under care and maintenance and corporate entities in the Group. |

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The segment revenue and results for the year ended 31 December 2020 are as follows:

| | FOR THE YEAR ENDED 31 DECEMBER 2020 | | | | | |
|---|---|---|---|---|---|---|
| **US$ MILLION** | **LAS BAMBAS** | **KINSEVERE** | **DUGALD RIVER** | **ROSEBERY** | **OTHER UNALLOCATED ITEMS/ ELIMINATIONS** | **GROUP** |
| **Revenue by metal:** | | | | | | |
| *– Copper* | 1,826.7 | 418.9 | - | 8.9 | (75.9)[1] | 2,178.6 |
| *– Zinc* | - | - | 261.1[2] | 108.8 | - | 369.9 |
| *– Lead* | - | - | 36.5 | 33.5 | 0.1 | 70.1 |
| *– Gold* | 123.1 | - | - | 67.8 | - | 190.9 |
| *– Silver* | 86.0 | - | 33.7 | 61.7 | - | 181.4 |
| *– Molybdenum* | 42.8 | - | - | - | - | 42.8 |
| **Revenue from contracts with customers** | **2,078.6** | **418.9** | **331.3** | **280.7** | **(75.8)** | **3,033.7** |
| **EBITDA** | **1,196.3** | **68.3** | **100.0** | **130.3** | **(115.2)** | **1,379.7** |
| Depreciation and amortisation expenses (Note 6) | (695.5) | (117.2) | (59.9) | (50.8) | (4.4) | (927.8) |
| **EBIT** | **500.8** | **(48.9)** | **40.1** | **79.5** | **(119.6)** | **451.9** |
| Finance income (Note 7) | | | | | | 1.9 |
| Finance costs (Note 7) | | | | | | (401.4) |
| Income tax expense (underlying) (Note 8) | | | | | | (46.8) |
| **Profit for the year** | | | | | | **5.6** |
| **Other segment information:** | | | | | | |
| Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments) | 476.6 | 15.6 | 46.0 | 53.5 | 0.2 | **591.9** |

1. Commodity derivative realised losses and unrealised losses with an amount of US$57.4 million (2019: nil) and US$21.4 million (2019: nil) separately were included in "Revenue" under the other unallocated items as these financial instruments were mainly managed at the Group's treasury entities; and
2. Commodity hedge realised losses with an amount of US$6.8 million (2019: nil) were included in "Revenue".

The segment assets and liabilities at 31 December 2020 are as follows:

| | AT 31 DECEMBER 2020 | | | | | |
|---|---|---|---|---|---|---|
| US$ MILLION | LAS BAMBAS | KINSEVERE | DUGALD RIVER | ROSEBERY | OTHER UNALLOCATED ITEMS/ ELIMINATIONS | GROUP |
| **Segment assets[1]** | **10,166.7** | **513.3** | **672.6** | **323.6** | **357.5** | **12,033.7** |
| Current/deferred income tax assets | | | | | | 264.3 |
| **Consolidated assets** | | | | | | **12,298.0** |
| **Segment liabilities[2]** | **5,097.0** | **240.2** | **447.4** | **194.5** | **2,761.3** | **8,740.4** |
| Current/deferred income tax liabilities | | | | | | 887.9 |
| **Consolidated liabilities** | | | | | | **9,628.3** |
| **Segment non-current assets** | **9,625.2** | **430.6** | **583.6** | **310.3** | **190.6** | **11,140.3** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The segment revenue and results for the year ended 31 December 2019 are as follows:

| | FOR THE YEAR ENDED 31 DECEMBER 2019 | | | | | |
|---|---|---|---|---|---|---|
| **US$ MILLION** | **LAS BAMBAS** | **KINSEVERE** | **DUGALD RIVER** | **ROSEBERY** | **OTHER UNALLOCATED ITEMS/ ELIMINATIONS** | **GROUP** |
| **Revenue by metal:** | | | | | | |
| – *Copper* | 1,771.1 | 386.0 | - | 6.2 | 3.8 | 2,167.1 |
| – *Zinc* | - | - | 277.7 | 143.0 | - | 420.7 |
| – *Lead* | - | - | 39.1 | 42.7 | - | 81.8 |
| – *Gold* | 129.7 | - | - | 42.9 | - | 172.6 |
| – *Silver* | 74.5 | - | 19.2 | 38.0 | - | 131.7 |
| – *Molybdenum* | 37.7 | - | - | - | - | 37.7 |
| **Revenue from contracts with customers** | **2,013.0** | **386.0** | **336.0** | **272.8** | **3.8** | **3,011.6** |
| | | | | | | |
| **EBITDA** | **1,221.3** | **28.1** | **108.7** | **125.9** | **(22.5)** | **1,461.5** |
| Depreciation and amortisation expenses (Note 6) | (697.2) | (140.1) | (55.9) | (70.7) | (5.7) | **(969.6)** |
| **EBIT** | **524.1** | **(112.0)** | **52.8** | **55.2** | **(28.2)** | **491.9** |
| Finance income (Note 7) | | | | | | **11.2** |
| Finance costs (Note 7) | | | | | | **(523.1)** |
| Income tax expense (underlying) | | | | | | **(70.3)** |
| **Loss for the year (underlying)** | | | | | | **(90.3)** |
| Impairment of Kinsevere assets (Note 12) | - | (150.0) | - | - | - | **(150.0)** |
| Tax impact associated with impairment | - | 45.0 | - | - | - | **45.0** |
| **Loss for the year** | | | | | | **(195.3)** |
| | | | | | | |
| **Other segment information:** | | | | | | |
| Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments) | 449.6 | 49.7 | 31.3 | 32.3 | 3.7 | **566.6** |

The segment assets and liabilities at 31 December 2019 are as follows:

| | AT 31 DECEMBER 2019 | | | | | |
|---|---|---|---|---|---|---|
| US$ MILLION | LAS BAMBAS | KINSEVERE | DUGALD RIVER | ROSEBERY | OTHER UNALLOCATED ITEMS/ ELIMINATIONS | GROUP |
| **Segment assets[1]** | 10,412.7 | 644.1 | 671.7 | 307.1 | 347.8[1] | 12,383.4 |
| Current/deferred income tax assets | | | | | | 281.7 |
| **Consolidated assets** | | | | | | **12,665.1** |
| **Segment liabilities[2]** | 5,566.9 | 238.3 | 463.6 | 165.8 | 2,670.2[2] | 9,104.8 |
| Current/deferred income tax liabilities | | | | | | 882.4 |
| **Consolidated liabilities** | | | | | | **9,987.2** |
| **Segment non-current assets** | 9,963.9 | 554.5 | 612.5 | 308.6 | 163.0 | **11,602.5** |

1. Included in segment assets of US$357.6 million (2019: US$347.8 million) under the other unallocated items is cash of US$42.8 million (2019: US$98.6 million) mainly held at Group treasury entities and trade receivables of US$198.3 million (2019: US$114.7million) for MMG South America Company Limited ("MMG SA") in relation to copper concentrate sales; and
2. Included in segment liabilities of US$2,761.3 million (2019: US$2,670.2 million) under the other unallocated items are borrowings of US$2,496.2 million (2019: US$2,261.3 million) and bank guarantee financial liabilities of US$145.4 million (2019: US$135.7 million), which are managed at Group level.

## 5. OTHER INCOME

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Loss on disposal of property, plant and equipment | (2.0) | (0.6) |
| Sundry income[1] | 14.2 | 14.6 |
| **Total other income** | **12.2** | **14.0** |

1. Sundry income in 2020 included the recognition of insurance claim income US$5.1 million (2019: US$12.0 million); US$3.7 million related to the Century Bank guarantee liability reduction. Refer to Note 28 for details.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 6. EXPENSES

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

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Changes in inventories of finished goods and work in progress | (38.3) | (263.9) |
| Write-down of inventories to net realisable value | 22.4 | 44.5 |
| Employee benefit expenses[1] | 196.9 | 235.1 |
| Contracting and consulting expenses[3] | 454.4 | 503.4 |
| Energy costs | 200.1 | 243.3 |
| Stores and consumables costs | 362.0 | 386.6 |
| Depreciation and amortisation expenses[2] | 893.8 | 933.6 |
| Other production expenses[3] | 111.9 | 138.1 |
| **Cost of goods sold** | **2,203.2** | **2,220.7** |
| Other operating expenses | 61.1 | 51.8 |
| Royalty expenses | 113.8 | 105.1 |
| Selling expenses[3] | 99.9 | 94.1 |
| **Total operating expenses including depreciation and amortisation[4]** | **2,478.0** | **2,471.7** |
| Exploration expenses[1,2,3] | 19.1 | 37.7 |
| Administrative expenses[1,3] | 20.5 | 23.3 |
| Auditors' remuneration | 1.6 | 1.6 |
| Foreign exchange loss/(gains) – net | 33.6 | (3.0) |
| Loss on financial assets at fair value through profit or loss | 1.4 | 0.3 |
| Other expenses[1,2,3] | 39.8 | 2.1 |
| **Total expenses** | **2,594.0** | **2,533.7** |

1. In aggregate US$50.5 million (2019: US$67.8 million) employee benefit expenses by nature is included in the administrative expenses, exploration expenses, and other expenses categories. Total employee benefit expenses were US$247.4 million (2019: US$302.9 million) (Note 11). In 2020, the Group received US$1.7 million of Covid-19 related government grants from Jobkeeper Assistance scheme. The grants were offset against employee benefits expense;
2. In aggregate US$34.0 million (2019: US$36.0 million) depreciation and amortisation expenses are included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US$927.8 million (2019: US$969.6 million);
3. The expense under these categories include certain amounts in respect of lease and non-lease contracts which were not recognised as right-of-use assets on the statement of financial position following the guidance as per HKFRS 16 or where the contracts were low value for a lease assessment under HKFRS 16 requirements. Expenditure in respect of such contracts assessed as leases but which did not qualify for recognition as right-of-use assets included US$41.8 million (2019: US$40.9 million) in respect of variable lease payments contracts and, US$1.9 million (2019: US$1.0 million) and US$1.3 million (2019: US$1.0 million) for short-term and low-value lease contracts, respectively; and
4. Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

## 7. FINANCE INCOME AND FINANCE COSTS

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Finance income** | | |
| Interest income on cash and cash equivalents | 1.9 | 11.2 |
| | **1.9** | **11.2** |
| **Finance costs** | | |
| Interest expense on bank borrowings | (261.8) | (370.9) |
| Interest expense on related party borrowings (Note 31) | (96.6) | (94.7) |
| Withholding taxes in respect of financing arrangements | (12.7) | (15.0) |
| Unwinding of discount on lease liabilities | (14.3) | (16.0) |
| Unwinding of discount on provisions (Note 26) | (12.9) | (15.7) |
| Other finance cost on external borrowings | (2.0) | (6.0) |
| Other finance cost on related party borrowings (Note 31) | (1.1) | (4.8) |
| **Finance costs – total** | **(401.4)** | **(523.1)** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 8. INCOME TAX EXPENSE

Hong Kong profits tax is provided at a rate of 16.5% where there are net assessable profits derived for the year. The income tax rates applicable for the main jurisdictions in which the Group operates are: Australia (30.0%), 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 year at the rates prevailing in the relevant jurisdictions.

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

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Current income tax expense – Overseas income tax | (114.0) | (69.7) |
| Deferred income tax benefit – Overseas income tax | 67.2 | 44.4 |
| **Income tax expense** | **(46.8)** | **(25.3)** |

The deferred tax impact relating to items of other comprehensive income is US$5.8 million (2019: nil).

The tax on the Group's profit/(loss) before income tax differs from the prima facie amount that would arise using the applicable tax rate to profit/(loss) of the consolidated companies as follows:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Profit/(loss) before income tax | 52.4 | (170.0) |
| Calculated at domestic tax rates applicable to profits or losses in the respective countries | (5.9) | 69.5 |
| Net non-taxable/(non-deductible) amounts | 16.1 | 1.6 |
| Under-provision in prior years | (1.7) | (38.6) |
| Non-creditable withholding tax | (55.3) | (57.8) |
| **Income tax expense** | **(46.8)** | **(25.3)** |

## 9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted loss per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options and performance awards on issue, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and performance awards. The number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the share options and performance awards. However, for the years ended 31 December 2020 and 2019, no conversion of dilutive potential ordinary shares was assumed as it would result in a decrease in loss per share.

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Loss attributable to equity holders of the Company in the calculation of basic and diluted loss per share** | **(64.7)** | **(230.4)** |

| | NUMBER OF SHARES '000 | |
|---|---|---|
| | **2020** | **2019** |
| Weighted average number of ordinary shares used in the calculation of the basic loss per share | 8,060,179 | 8,053,521 |
| Weighted average number of ordinary shares used in the calculation of the diluted loss per share | 8,060,179 | 8,053,521 |
| **Basic loss per share** | **US (0.80) cents** | **US (2.86) cents** |
| **Diluted loss per share** | **US (0.80) cents** | **US (2.86) cents** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 10. DIVIDENDS

The Directors did not recommend the payment of an interim or final dividend for the year ended 31 December 2020 (2019: nil).

## 11. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Salaries and other benefits | 235.6 | 290.2 |
| Retirement scheme contributions (a) | 11.8 | 12.7 |
| **Total employee benefit expenses (Note 6)** | **247.4** | **302.9** |

### (a) Retirement schemes

The Group provides retirement benefits to all eligible Hong Kong employees under the Mandatory Provident Fund (MPF Scheme). Under the MPF Scheme, the Group and its employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries as defined under the Mandatory Provident Fund legislation. Contributions of both the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,500 per month and thereafter contributions are voluntary and are not subject to any limitation. The MPF Scheme is administered by an independent trustee and its assets are held separately from those of the Group.

The Group provides a superannuation contribution for all Australian-based employees to their nominated superannuation fund. This contribution is to provide benefits for employees and their dependants in retirement, and for relevant employees, disabilities or death. In accordance with the applicable regulation in Australia, the Group is required to contribute at a minimum rate of 9.5% of ordinary time earnings of the Australian-based employee. Also in accordance with the applicable regulation in Australia, the Group caps the superannuation contributions at the maximum super contribution base. The maximum super contribution base is used to determine the maximum limit on any individual employee's earnings base for each quarter of any financial year. Organisations do not have to provide the minimum support for the part of earnings above this limit.

The Group provides for retirement benefits to those employees who reach statutory retirement age in the DRC in accordance with the Collective Bargaining Agreement with its employees at the Kinsevere mine. A provision for the retirement benefit is recognised which is measured as the present value of the expected future payments to be made taking into consideration the period of employee service and their job position at the reporting date.

The Group provides on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the People's Republic of China ("PRC"). The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made.

## 12. PROPERTY, PLANT AND EQUIPMENT

| US$ MILLION | LAND AND BUILDINGS | PLANT AND MACHINERY | MINE PROPERTY AND DEVELOPMENT | EXPLORATION AND EVALUATION | CONSTRUCTION IN PROGRESS | TOTAL |
|---|---|---|---|---|---|---|
| **At 1 January 2020** | | | | | | |
| Cost | 844.1 | 4,565.0 | 9,645.3 | 206.4 | 267.6 | 15,528.4 |
| Accumulated depreciation, amortisation and impairment | (200.4) | (1,601.0) | (3,226.4) | (106.4) | - | (5,134.2) |
| **Net book amount at 1 January 2020** | **643.7** | **2,964.0** | **6,418.9** | **100.0** | **267.6** | **10,394.2** |
| **Year ended 31 December 2020** | | | | | | |
| At the beginning of the year | 643.7 | 2,964.0 | 6,418.9 | 100.0 | 267.6 | 10,394.2 |
| Additions (Note 30(b)) | 0.5 | 111.8 | 261.4 | - | 201.8 | 575.5 |
| Depreciation and amortisation | (59.8) | (270.1) | (546.6) | - | - | (876.5) |
| Disposals, net | - | (5.9) | (11.4) | - | - | (17.3) |
| Transfers, net | 86.8 | 60.7 | 64.0 | (100.0)[1] | (111.5) | - |
| **At the end of the year** | **671.2** | **2,860.5** | **6,186.3** | **-** | **357.9** | **10,075.9** |
| **At 31 December 2020** | | | | | | |
| Cost | 931.4 | 4,722.0 | 9,955.9 | 106.4 | 357.9 | 16,073.6 |
| Accumulated depreciation, amortisation and impairment | (260.2) | (1,861.5) | (3,769.6) | (106.4) | - | (5,997.7) |
| **Net book amount at 31 December 2020** | **671.2** | **2,860.5** | **6,186.3** | **-** | **357.9** | **10,075.9** |

1. The exploration and evaluation cost of Las Bambas with an amount of US$100.0 million (2019: nil) was reclassified to "land and building" and "mine property and development" categories as Chalcobamba feasibility study completed.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| US$ MILLION | LAND AND BUILDINGS | PLANT AND MACHINERY | MINE PROPERTY AND DEVELOPMENT | EXPLORATION AND EVALUATION | CONSTRUCTION IN PROGRESS | TOTAL |
|---|---|---|---|---|---|---|
| **At 1 January 2019** | | | | | | |
| Cost | 833.0 | 4,377.7 | 8,949.7 | 206.4 | 236.9 | 14,603.7 |
| Accumulated depreciation, amortisation and impairment | (138.1) | (1,227.1) | (2,234.4) | (106.4) | - | (3,706.0) |
| **Net book amount at 1 January 2019** | **694.9** | **3,150.6** | **6,715.3** | **100.0** | **236.9** | **10,897.7** |
| | | | | | | |
| **Year ended 31 December 2019** | | | | | | |
| At the beginning of the year | 694.9 | 3,150.6 | 6,715.3 | 100.0 | 236.9 | 10,897.7 |
| Additions (Note 30(b)) | 0.8 | 65.0 | 322.1 | - | 175.1 | 563.0 |
| Depreciation and amortisation | (65.2) | (297.7) | (549.7) | - | - | (912.6) |
| Impairment expense | - | - | (150.0) | - | - | (150.0) |
| Disposals, net | - | (1.1) | (2.8) | - | - | (3.9) |
| Transfers, net | 13.2 | 47.2 | 84.0 | - | (144.4) | - |
| **At the end of the year** | **643.7** | **2,964.0** | **6,418.9** | **100.0** | **267.6** | **10,394.2** |
| | | | | | | |
| **At 31 December 2019** | | | | | | |
| Cost | 844.1 | 4,565.0 | 9,645.3 | 206.4 | 267.6 | 15,528.4 |
| Accumulated depreciation, amortisation and impairment | (200.4) | (1,601.0) | (3,226.4) | (106.4) | - | (5,134.2) |
| **Net book amount at 31 December 2019** | **643.7** | **2,964.0** | **6,418.9** | **100.0** | **267.6** | **10,394.2** |

## IMPAIRMENT TESTING OF NON-CURRENT ASSETS AND GOODWILL

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

In respect of Las Bambas, the CGU is subject to impairment testing due to goodwill being attributed to the CGU which requires an annual impairment assessment.

In respect of Kinsevere and Dugald River, impairment losses have been recognised in 2019 and 2015, respectively. Management has reviewed the operational performance and considered the operation's sensitivity to a range of factors including commodity prices, throughput, grade, recovery, operational and capital expenditure and concluded that there is currently no further impairment or any requirement to reverse the previously recognised impairment.

No impairment indicators were noted in respect of Rosebery.

### (i) Approach to recognition of an impairment loss

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of each CGU has been estimated using its fair value less costs of disposal ("Fair Value"), which is consistent with the approach from the prior year. 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, periodic forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise 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. Exploration targets are included in the valuation as applicable.

### (ii) Key assumptions

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

- Commodity prices;
- Operating costs;
- Capital requirements;
- Real post-tax discount rates;
- Foreign exchange rates;
- Reserves and Resources and exploration targets;
- Optimisation of operational activity and productivity; and
- Rehabilitation timing.

In determining some of the key assumptions, management considered external sources of information where appropriate.

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

The long-term price assumed for copper is US$3.25 (2019: US$3.21) per pound and for zinc is US$1.15 (2019: US$1.23) per pound.

The long term AUD:USD exchange rate has been included as 0.75 (2019: 0.75).

The real post-tax discount rates used in the Fair Value estimates for each of the CGU's remained unchanged from 2019 at 7% for Las Bambas, 10% for Kinsevere , and 6% for Dugald River and Roseberry.

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### (iii) Valuation methodology

*Las Bambas*

The Las Bambas Fair Value is determined through the 2020 Life of Asset ("LoA") discounted cash flows that were updated for known changes. The valuation contains the current operation and further regional exploration targets included in the initial valuation to acquire the mine in 2014. The cash flows assume additional capital investment in the processing plant and mine developments as well as expected cost reductions from operational improvement programs underway. Future cash flow forecasts include estimates for the cost of obtaining access to land where the rights do not currently exist.

COVID-19 related restrictions have also impacted the timing of environmental and drilling permits and the ability to carry out exploration drilling and community engagement. Ongoing political instability at a national level, with a new President and new Cabinet appointed and fresh elections scheduled for April 2021, may result in further delays. Community disruptions along the Southern Road Corridor have escalated during the second half of 2020 as a number of communities make demands for further social investment. There has been minimal direct impact on production volumes as the Group has managed to maintain sufficient supplies on site, however, blockades have continued to impact the Group's ability to ship stock piled concentrate.

Management continues to progress dialogue with local communities and the Government of Peru to ensure the continuity of road access into the future. This includes continuing to deliver on the Company's obligations in relation to social and community development programs and supporting the Government of Peru to progress public investment projects which will improve the condition of the public road which Las Bambas' uses for the transport of concentrate to the port, which is expected to reduce disruptions of road usage into the future.

The impairment assessment of the Las Bambas's CGU at 31 December 2020 did not result in the recognition of impairment.

*Kinsevere*

An impairment write-down of US$150.0 million pre-tax (US$105.0 million on a post-tax basis) was recognised in relation to the Kinsevere CGU during 2019. The impairment was recognised as a result of operational challenges and management's best estimate of risks associated with political and legislative matters. The impairment resulted in a reduction to the carrying value of the oxide related assets to more accurately reflect the remaining expected life of the current oxide operation.

The Kinsevere Fair Value at 31 December 2020 is based upon the assumption of Kinsevere Expansion Plan proceeding in the upcoming year. This will extend the life of Kinsevere by varying and extending the existing oxide processing facilities to enable a sulphide ore and cobalt processing circuit.

The impairment assessment of the Kinsevere CGU at 31 December 2020 did not result in the recognition of any further impairment. Significant risks and uncertainties exist in respect of application of the new Mining Code (2018), additional duties and taxes, recoverability of VAT receivable from the DRC Government and the outcome of certain litigation matters. The valuation is also sensitive to factors such as copper price, recovery, ore loss and dilution. Considering such risks and sensitivities, no reversal of impairment was deemed prudent.

*Dugald River*

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

The impairment assessment of the Dugald River CGU at 31 December 2020 did not result in a reversal of historical impairment. The fair value is highly sensitive to zinc price exchange rates and operational performance. The Group will continue to monitor and assess if a reversal of impairment is required in future periods.

*Rosebery*

The Rosebery Fair Value is determined through the 2020 LoA discounted cashflows. No indicators of impairment were noted for Rosebery and the Fair Value currently supports the carrying value of the CGU. Consequently, no impairment was recognised.

### (iv) Sensitivity analysis

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

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

***Las Bambas***

The key assumptions to which the calculation of recoverable amount for Las Bambas is most sensitive are copper price, operating costs, land access (including permitting delays and the amount and timing of exploration potential to be realised) and discount rate.

An adverse change of 5% in copper price over the remaining mine life would decrease the recoverable amount by approximately US$1,000 million; An increase of 1% to the discount rate would decrease recoverable amount by approximately US$800 million; An adverse change of 5% in operating costs would decrease the recoverable amount by approximately US$400 million.

The impact of delays in land access or the amount or timing of exploration potential realised would result in a revision to the mine plan in response to these conditions. The occurrence of one or more of the above assumptions in isolation, without a change in other assumptions which may have an offsetting impact, would result in the recognition of impairment.

***Kinsevere***

The key assumptions to which the calculation of Fair Value for Kinsevere is most sensitive are copper and cobalt prices.

An adverse change of 5% in copper price over the remaining mine life would further decrease the recoverable amount by approximately US$130 million; An adverse change of 5% in cobalt price over the remaining mine life would further decrease the recoverable amount by approximately US$30 million.

In the event that "Kinsevere Expansion Plan" does not progress to execution, there is likely to be a further impairment to the assets of Kinsevere.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 13. RIGHT-OF-USE ASSETS

| US$ MILLION | LAND AND BUILDING | PLANT AND MACHINERY | TOTAL |
|---|---|---|---|
| **Net book amount at 1 January 2020** | **10.3** | **130.3** | **140.6** |
| Additions | 3.0 | 11.3 | 14.3 |
| Depreciation | (4.8) | (23.4) | (28.2) |
| Termination | (2.8) | (1.1) | (3.9) |
| **At 31 December 2020** | **5.7** | **117.1** | **122.8** |
| **At 31 December 2020** | | | |
| Cost | 12.6 | 144.2 | 156.8 |
| Accumulated depreciation | (6.9) | (27.1) | (34.0) |
| **Net book amount at 31 December 2020** | **5.7** | **117.1** | **122.8** |
| **Net book amount at 1 January 2019** | **10.6** | **125.1** | **135.7** |
| Additions | 2.9 | 30.4 | 33.3 |
| Depreciation | (3.2) | (25.2) | (28.4) |
| **At 31 December 2019** | **10.3** | **130.3** | **140.6** |
| **At 31 December 2019** | | | |
| Cost | 13.5 | 155.5 | 169.0 |
| Accumulated depreciation | (3.2) | (25.2) | (28.4) |
| **Net book amount at 31 December 2019** | **10.3** | **130.3** | **140.6** |

## 14. INTANGIBLE ASSETS

| US$ MILLION | GOODWILL | SOFTWARE DEVELOPMENT | TOTAL |
|---|---|---|---|
| **At 1 January 2020** | | | |
| Cost | 739.9 | 207.8 | 947.7 |
| Accumulated amortisation and impairment | (211.4) | (168.8) | (380.2) |
| **Net book amount at 1 January 2020** | **528.5** | **39.0** | **567.5** |
| **Year ended 31 December 2020** | | | |
| At the beginning of the year | 528.5 | 39.0 | 567.5 |
| Additions | - | 2.1 | 2.1 |
| Amortisation | - | (23.1) | (23.1) |
| **At the end of the year** | **528.5** | **18.0** | **546.5** |
| **At 31 December 2020** | | | |
| Cost | 739.9 | 209.9 | 949.8 |
| Accumulated amortisation and impairment | (211.4) | (191.9) | (403.3) |
| **Net book amount at 31 December 2020** | **528.5** | **18.0** | **546.5** |
| **At 1 January 2019** | | | |
| Cost | 739.9 | 213.8 | 953.7 |
| Accumulated amortisation and impairment | (211.4) | (146.3) | (357.7) |
| **Net book amount at 1 January 2019** | **528.5** | **67.5** | **596.0** |
| **Year ended 31 December 2019** | | | |
| At the beginning of the year | 528.5 | 67.5 | 596.0 |
| Additions | - | 0.1 | 0.1 |
| Amortisation | - | (28.6) | (28.6) |
| **At the end of the year** | **528.5** | **39.0** | **567.5** |
| **At 31 December 2019** | | | |
| Cost | 739.9 | 207.8 | 947.7 |
| Accumulated amortisation and impairment | (211.4) | (168.8) | (380.2) |
| **Net book amount at 31 December 2019** | **528.5** | **39.0** | **567.5** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 15. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group at 31 December 2020 and 2019:

| NAME OF COMPANY | PLACE OF INCORPORATION/ OPERATION | PRINCIPAL ACTIVITIES | PARTICULARS OF ISSUED OR PAID-UP CAPITAL | PROPORTION OF ISSUED CAPITAL HELD BY THE COMPANY 2020 | | 2019 | |
|---|---|---|---|---|---|---|---|
| | | | | DIRECTLY | INDIRECTLY | DIRECTLY | INDIRECTLY |
| MMG Australia Limited | Australia | Mineral exploration and production, management and employment services | 490,000,000 Ordinary Shares at A$[1]1 a share | - | 100% | - | 100% |
| MMG Dugald River Pty Ltd | Australia | Holds Dugald River Assets | 301,902,934 Ordinary Shares at A$1 a share | - | 100% | - | 100% |
| MMG Exploration Pty Ltd | Australia | Investment holding | 1 Ordinary Share at A$1 a share | - | 100% | - | 100% |
| MMG Management Pty Ltd | Australia | Treasury and management services | 1 Ordinary Share at A$1 a share | - | 100% | - | 100% |
| Topstart Limited | British Virgin Islands | Investment holding | 1,386,611,594 Ordinary Shares at US$1 a share | 100% | - | 100% | - |
| Anvil Mining Limited | British Virgin Islands | Investment holding | 100 Class A Common Shares at US$1 | - | 100% | - | 100% |
| MMG Resources Inc. | Canada | Mineral exploration | 200 Common Shares at C$[1]1 a share | - | 100% | - | 100% |
| MMG Kinsevere SARL | DRC | Mineral exploration and production | 15,339,967 Ordinary Shares at US$22.8 a share | - | 100% | - | 100% |
| MMG Exploration Holdings Limited | Hong Kong | Mineral exploration and holding company | 1 Ordinary Share providing a share capital of HK$[1]1 | 100% | - | 100% | - |

| NAME OF COMPANY | PLACE OF INCORPORATION/ OPERATION | PRINCIPAL ACTIVITIES | PARTICULARS OF ISSUED OR PAID-UP CAPITAL | PROPORTION OF ISSUED CAPITAL HELD BY THE COMPANY 2020 DIRECTLY | 2020 INDIRECTLY | 2019 DIRECTLY | 2019 INDIRECTLY |
|---|---|---|---|---|---|---|---|
| MMG Finance Limited | Hong Kong | Administration and treasury services | 1 Ordinary Share providing a share capital of HK$1 | 100% | - | 100% | - |
| MMG South America Company Limited | Hong Kong | Investment holding and sales of copper concentrate | 1,880,000 Ordinary Shares providing a share capital of HK$1,880,000 | 100% | - | 100% | - |
| MMG South America Management Company Limited | Hong Kong | Holding investments in Peru | 1,200 Ordinary Shares providing a share capital of HK$28,046,249,501 | - | 62.5% | - | 62.5% |
| MMG Netherlands B.V. | Netherlands | Investment holding | 5,000 Ordinary Shares at EUR[1]1 a share | - | 62.5% | - | 62.5% |
| Minera Las Bambas S.A. | Peru | Mineral exploration and production | 2,890,004,037 Common Shares at PEN[1] 1 a share | - | 62.5% | - | 62.5% |
| Album Investment Pte Ltd | Singapore | Investment holding | 488,211,901 Ordinary Shares at S$[1]1 a share | - | 100% | - | 100% |
| Album Resources Pte Ltd | Singapore | Investment holding | 488,211,901 Ordinary Shares at S$1 a share | - | 100% | - | 100% |
| MMG Swiss Finance AG | Switzerland | Investment holding and financial services | 100,000 Ordinary Shares at CHF[1]1 a share | - | 62.5% | - | 62.5% |
| MMG Beijing Co., Ltd[2] | Beijing | Corporate management services | Registered capital of CNY10,000,000 | 100% | - | - | - |

1. A$, C$, HK$, S$, PEN, CHF, CNY and EUR stand for Australian dollar, Canadian dollar, Hong Kong dollar, Singapore dollar, Peruvian Sol, Swiss Franc, Chinese Yuan and Euro respectively; and
2. This company was established in the PRC in the form of wholly-owned foreign enterprise during the year ended 31 December 2020.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 16. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had total non-controlling interests of US$1,733.3 million at 31 December 2020 (2019: US$1,665.7 million) which relate to the Las Bambas Joint Venture Group.

The summarised financial information is shown on a 100% basis. It represents the amounts shown in the Las Bambas Joint Venture Group's consolidated financial statements prepared in accordance with HKFRSs under Group's accounting policies, before inter-company eliminations.

| | AT 31 DECEMBER | |
|---|---|---|
| **US$ MILLION** | **2020** | **2019** |
| **Summarised Consolidated Statement of Financial Position** | | |
| Assets | **10,514.6** | **10,854.4** |
| Current | 885.2 | 890.5 |
| Non-current | 9,629.4 | 9,963.9 |
| Liabilities | **(5,892.6)** | **(6,412.6)** |
| Current | (932.0) | (1,066.4) |
| Non-current | (4,960.6) | (5,346.2) |
| **Net assets** | **4,622.0** | **4,441.8** |

| | YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | **2020** | **2019** |
| **Summarised Consolidated Statement of Comprehensive Income** | | |
| Revenue | 2,078.6 | 2,013.0 |
| Profit for the year | 187.5 | 93.6 |
| Other comprehensive loss for the year | (7.3) | - |
| Total comprehensive income | 180.2 | 93.6 |
| Total comprehensive income attributable to non-controlling interests | 67.6 | 35.1 |

| | YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | **2020** | **2019** |
| **Summarised Consolidated Statement of Cash Flows** | | |
| Net increase/(decrease) in cash and cash equivalents | 11.3 | (378.3) |
| Cash and cash equivalents at 1 January | 90.9 | 469.2 |
| Cash and cash equivalents at 31 December | **102.2** | **90.9** |

## 17. INVENTORIES

| | **2020 US$ MILLION** | **2019 US$ MILLION** |
|---|---|---|
| **Non-current** | | |
| Work in progress | **76.2** | **106.4** |
| **Current** | | |
| Stores and consumables | 105.0 | 116.8 |
| Work in progress | 136.0 | 40.8 |
| Finished goods | 175.5 | 224.6 |
| | **416.5** | **382.2** |
| **Total** | **492.7** | **488.6** |

## 18. DEFERRED INCOME TAX

The movements in deferred income tax assets/(liabilities) during the years are as follows:

| US$ MILLION | PROPERTY, PLANT AND EQUIPMENT | PROVISIONS | TAX LOSSES | OTHERS | TOTAL |
|---|---|---|---|---|---|
| **At 1 January 2019** | (1,147.8) | 185.8 | 135.3 | 82.7[1] | (744.0) |
| Credited/(charged) to profit or loss (Note 8) | 206.8 | 2.4 | (108.4) | (56.4) | 44.4 |
| **At 31 December 2019** | **(941.0)** | **188.2** | **26.9** | **26.3** | **(699.6)** |
| Credited/(charged) to profit or loss (Note 8) | 98.7 | 34.6 | 9.0 | (75.1) | 67.2 |
| Credited to other comprehensive income or loss (Note 8) | - | - | - | 5.8 | 5.8 |
| **At 31 December 2020** | **(842.3)** | **222.8** | **35.9** | **(43.0)** | **(626.6)** |

1. Opening balance in others include the HKFRS 16 adjustment of US$11.3 million on initial adoption of the standard.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to income tax levied by the same taxation authority on either the taxation entity or different taxation entities, and there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Deferred income tax assets | 238.6 | 180.4 |
| Deferred income tax liabilities | (865.2) | (880.0) |
| | **(626.6)** | **(699.6)** |

The Group only recognises deferred income tax assets for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses in the foreseeable future. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.
At 31 December 2020 and 2019, the Group had unrecognised deferred tax losses and temporary differences as follows:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Tax losses (tax effected) | 30.5 | 31.6 |
| Deductible temporary differences (tax effected) | 42.9 | 44.3 |
| **At 31 December** | **73.4** | **75.9** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 19. TRADE AND OTHER RECEIVABLES

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-current other receivables** | | |
| Prepayments | - | 1.9 |
| Other receivables – government taxes (net of provisions)[1] | 8.9 | 57.3 |
| Sundry receivables[2] | 69.7 | 151.1 |
| | **78.6** | **210.3** |
| **Current trade and other receivables** | | |
| Trade receivables[3] (Note 32) | 369.2 | 240.6 |
| Prepayments | 19.4 | 37.4 |
| Other receivables – government taxes[1] | 86.9 | 50.9 |
| Sundry receivables | 47.3 | 32.7 |
| | **522.8** | **361.6** |

1. The government taxes amount mainly consists of VAT receivables associated with the Group's operations in Peru and the DRC;
2. Sundry receivables amount mainly consists of receivables from Glencore in MLB acquisition project. During the year ended 2020, Glencore receivables settlement and reclassification resulted in the reduction; and
3. At 31 December 2020 and 2019, trade receivables of the Group mainly related to the mining operations. The majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. All the trade receivables at 31 December 2020 and 2019 were within 6 months from the date of invoice. At 31 December 2020, there was no trade receivable past due (2019: nil). At 31 December 2020, the Group's trade receivables and prepayments included an amount of US$169.6 million (2019: US$103.5 million) which were due from a related company of the Group (Note 31). The carrying amounts of the Group's trade receivables are all denominated in US$.

## 20. OTHER FINANCIAL ASSETS

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-current financial assets** (Note 32.1(c), (e), 32.3 and 32.4) | | |
| Financial assets at fair value through profit or loss – listed[1] | 1.7 | 3.1 |
| | **1.7** | **3.1** |

1. Financial assets at fair value through profit or loss are listed investments outside Hong Kong and their carrying values are equal to their market values.

## 21. CASH AND CASH EQUIVALENTS

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Cash at bank and in hand | 192.7 | 216.3 |
| Short-term bank deposits | - | 1.2 |
| **Total**[1] (Note 32.1(c), (e), 32.3 and 32.5) | **192.7** | **217.5** |

1. Total cash and cash equivalents include US$102.2 million (2019: US$90.9 million) of cash held limited for use by Las Bambas Joint Venture Group and US$28.3 million (2019: US$13.0 million) of cash held limited for use by Dugald River project.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| US dollars | 173.0 | 197.5 |
| Australian dollars | 2.7 | 7.7 |
| Peruvian sol | 13.7 | 10.0 |
| Hong Kong dollars | 1.2 | 0.3 |
| Others | 2.1 | 2.0 |
| | **192.7** | **217.5** |

## 22. SHARE CAPITAL

| | NUMBER OF ORDINARY SHARES | | SHARE CAPITAL | |
|---|---|---|---|---|
| | 2020 '000 | 2019 '000 | 2020 US$ MILLION | 2019 US$ MILLION |
| **Issued and fully paid:** | | | | |
| At 1 January | 8,054,787 | 8,051,998 | 2,912.2 | 2,910.8 |
| Employee share options exercised[1] | 12,247 | 2,789 | 5.4 | 1.4 |
| **At 31 December** | **8,067,034** | **8,054,787** | **2,917.6** | **2,912.2** |

1. During the year ended 31 December 2020, a total of 3,554,014 new shares were issued as a result of employee share options exercised at a weighted average exercise price of HK$2.29 per share under the Company's 2016 Share Option Scheme. The weighted average share price during the year is HK$2.00 (Note 34);

   During the year ended 31 December 2020, a total of 8,692,897 new shares were issued as a result of employee exercised 2017 Performance Awards (Note 34).

## 23. RESERVES AND ACCUMULATED LOSSES

| US$ MILLION | SPECIAL CAPITAL RESERVE | EXCHANGE TRANSLATION RESERVE | MERGER RESERVE[1] | SURPLUS RESERVE[2] | SHARE-BASED PAYMENT RESERVE | CASH FLOW HEDGE RESERVE[3] | OTHER RESERVE | TOTAL RESERVES | ACCUMULATED LOSSES | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2020** | **9.4** | **2.7** | **(1,946.9)** | **19.3** | **16.4** | **-** | **-** | **(1,899.1)** | **(0.9)** | **(1,900.0)** |
| Loss for the year | - | - | - | - | - | - | - | - | (64.7) | **(64.7)** |
| Other comprehensive loss for the year | - | - | - | - | | (10.1) | (1.7) | (11.8) | - | **(11.8)** |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **-** | **(10.1)** | **(1.7)** | **(11.8)** | **(64.7)** | **(76.5)** |
| Employee long-term incentives | - | - | - | - | (0.5) | - | - | (0.5) | - | **(0.5)** |
| Employee share options exercised and vested | - | - | - | - | (4.2) | - | - | (4.2) | - | **(4.2)** |
| Employee share options lapsed | - | - | - | - | (2.1) | - | - | (2.1) | 2.1 | **-** |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **(6.8)** | **-** | **-** | **(6.8)** | **2.1** | **(4.7)** |
| **At 31 December 2020** | **9.4** | **2.7** | **(1,946.9)** | **19.3** | **9.6** | **(10.1)** | **(1.7)** | **(1,917.7)** | **(63.5)** | **(1,981.2)** |

1. Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKICPA) against their share capital;
2. An amount of US$30.8 million (of which the Group's portion is of US$19.3 million) corresponding to 10% of net income of one of the Group's subsidiaries, Minera Las Bambas S.A., in 2017 has been appropriated and transferred to surplus reserve. According to the General Law of Companies in Peru, surplus reserve is constituted by transferring 10%, as a minimum, of the net income for each period, after deducting accumulated losses, until reaching an amount equivalent to a fifth of capital;
3. The cashflow hedge reserve records the portion of the gain or loss on a hedging instrument and the related transaction in a cash flow hedge that are determined to be effective. Also refer to Note 27 for Derivative Financial Liabilities; and

   During the year ended 2020, there was a settlement of US$75.2 million of Zinc commodity hedge instrument with US$6.8 million realised losses included in "revenue" (Note 4 and Note 32.1(a)); There was a settlement and realised losses of US$1.4 million (Note 32.1 (b)) of interest rate swap instrument. The realised losses were included in "financial cost".

| US$ MILLION | SPECIAL CAPITAL RESERVE | EXCHANGE TRANSLATION RESERVE | MERGER RESERVE[1] | SURPLUS RESERVE[2] | SHARE-BASED PAYMENT RESERVE | TOTAL RESERVES | RETAINED PROFITS | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2019** | **9.4** | **2.7** | **(1,946.9)** | **19.3** | **17.5** | **(1,898.0)** | **228.6** | **(1,669.4)** |
| Loss for the year | - | - | - | - | - | - | (230.4) | **(230.4)** |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **(230.4)** | **(230.4)** |
| Employee share options exercised and vested | - | - | - | - | (0.2) | (0.2) | - | **(0.2)** |
| Employee share options lapsed | - | - | - | - | (0.9) | (0.9) | 0.9 | **-** |
| **Total transactions with owners** | **-** | **-** | **-** | **-** | **(1.1)** | **(1.1)** | **0.9** | **(0.2)** |
| **At 31 December 2019** | **9.4** | **2.7** | **(1,946.9)** | **19.3** | **16.4** | **(1,899.1)** | **(0.9)** | **(1,900.0)** |

## Distributable reserves

At 31 December 2020 and 2019, the Company did not have any distributable reserves available for distribution to shareholders.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 24. BORROWINGS

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-current** | | |
| Loan from a related party (Note 31) | 2,261.3 | 2,261.3 |
| Bank borrowings, net | 4,045.4 | 4,592.4 |
| | **6,306.7** | **6,853.7** |
| **Current** | | |
| Loan from a related party (Note 31) | 230.0 | - |
| Bank borrowings, net | 642.8 | 774.6 |
| | **872.8** | **774.6** |
| Analysed as: | | |
| – Secured | 4,742.3 | 5,250.6 |
| – Unsecured | 2,496.2 | 2,441.3 |
| | **7,238.5** | **7,691.9** |
| Prepayments – finance charges | (59.0) | (63.6) |
| | **7,179.5** | **7,628.3** |
| Borrowings (excluding: prepayments) were repayable as follows: | | |
| – Within one year | 879.5 | 780.8 |
| – More than one year but not exceeding two years | 722.2 | 1,309.8 |
| – More than two years but not exceeding five years | 3,912.0 | 2,685.9 |
| – More than five years | 1,724.8 | 2,915.4 |
| | **7,238.5** | **7,691.9** |
| Prepayments – finance charges | (59.0) | (63.6) |
| **Total** (Notes 32.1(c) and 32.3) | **7,179.5** | **7,628.3** |

An analysis of the carrying amounts of the total borrowings (excluding prepayments) by type and currency is as follows:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| US dollars | | |
| – At floating rates[1] | 4,884.8 | 5,430.6 |
| – At fixed rates | 2,353.7 | 2,261.3 |
| | **7,238.5** | **7,691.9** |

1. Includes the floating interest rate MLB project facility (borrowings of US$4,068.6 million outstanding at 31 December 2020, maturing in June 2032), whereby the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap with Bank of China Sydney Branch office ("BOC Sydney") during the year ended 31 December 2020 with notional principal US$2,020 million outstanding at 31 December 2020. The interest rate swap hedge will reduce in line with the MLB project facility and swap the 6-month London Interbank Offered Rate ("LIBOR") exposure for a fixed rate (0.5568% in the first year and 0.5425% from the second to fifth years).

The effective interest rate of borrowings during the year ended 31 December 2020 was 3.9% (2019: 5.0%) per annum.

At 31 December 2020, certain borrowings of the Group were secured as follows:

(a) US$4,307.6 million (2019: US$4,852.1 million) from China Development Bank, ICBC, BOC Sydney and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including MLB, a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of MLB, assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of MLB. Approximately US$239.0 million (2019: US$469.0 million) of these borrowings are guaranteed on a several basis by China Minmetals Non-ferrous Metals Holding Company Limited ("CMNH"), Guoxin International Investment Corporation Limited and CITIC Corporation Limited in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in the Las Bambas Joint Venture Group;

(b) US$342.2 million (2019: US$398.6 million) from China Development Bank and BOC Sydney was substantively secured by the shares and assets of MMG Dugald River Pty Ltd ("MMG Dugald River"). This consists of a charge over the shares in MMG Dugald River, a real property mortgage over all of the interests in land of MMG Dugald River, a general security agreement in respect of all of the assets of MMG Dugald River, and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project, and a featherweight charge over all of MMG Australia Limited's other assets. This borrowing is guaranteed by CMC; and

(c) US$92.5 million (2019: nil) from ICBC Peru Bank, Banco de Crédito del Peru and Scotiabank Peru secured by mine fleet equipment procured under asset finance arrangements.

## RECONCILIATION OF BORROWINGS ARISING FROM FINANCING ACTIVITIES

| | | | | NON-CASH CHANGES | | |
|---|---|---|---|---|---|---|
| **US$ MILLION** | **NOTES** | **1 JANUARY 2020** | **FINANCING CASHFLOW[1]** | **EFFECTIVE INTEREST** | **OTHER CHANGES[2]** | **31 DECEMBER 2020** |
| Loans from a related party | 31(d) | **2,261.3** | 230.0 | - | - | **2,491.3** |
| Bank borrowings | 24 | **5,367.0** | (683.3) | - | 4.5 | **4,688.2** |
| Accrued interest[3] | | **50.8** | (360.8) | 358.4 | - | **48.4** |
| | | **7,679.1** | **(814.1)** | **358.4** | **4.5** | **7,227.9** |

| | | | | NON-CASH CHANGES | | |
|---|---|---|---|---|---|---|
| **US$ MILLION** | **NOTES** | **1 JANUARY 2019** | **FINANCING CASHFLOW** | **EFFECTIVE INTEREST** | **OTHER CHANGES** | **31 DECEMBER 2019** |
| Loan from a related party | 31(d) | **2,361.3** | (100.0) | - | - | **2,261.3** |
| Bank borrowings | 24 | **5,770.1** | (411.4) | - | 8.3 | **5,367.0** |
| Accrued interest[3] | | **57.5** | (472.3) | 465.6 | - | **50.8** |
| | | **8,188.9** | **(983.7)** | **465.6** | **8.3** | **7,679.1** |

1. Net bank borrowings financing cashflow is made up of repayments of and proceeds from borrowings in the Consolidated Statement of Cash Flows;
2. Other changes include the amortisation of capitalised prepayments on borrowings; and
3. Accrued interest includes both interest on external bank borrowings and related party borrowings.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 25. LEASE LIABILITIES

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-current** | | |
| Lease liabilities | 128.5 | 138.3 |
| | | |
| **Current** | | |
| Lease liabilities | 20.2 | 22.5 |
| **Total** (Note 32.1) | **148.7** | **160.8** |
| | | |
| Lease liabilities were repayable as follows: | | |
| – Within one year | 20.2 | 22.5 |
| – More than one year but not exceeding two years | 18.3 | 16.0 |
| – More than two years but not exceeding five years | 29.4 | 33.8 |
| – More than five years | 80.8 | 88.5 |
| | **148.7** | **160.8** |

The weighted average incremental borrowing rates applied to new lease liabilities during 2020 range from 2.21% to 8.66% (2019: from 3.83% to 14.97%).

Refer to Note 32.1(e) for maturity profile of the undiscounted lease liabilities. In respect of such lease liabilities, the Group generally does not have any early termination options. However, in case of certain leases the Group has extension option exercisable at the discretion of the Group. Such extension options allow for operational flexibility in managing the Group's assets. Where the Group assesses at lease commencement date that it is reasonably certain to exercise the extension options, rentals during the extension period are included in determination of lease liability. The undiscounted potential estimated exposure in respect of future lease payments for extension options which the Group is not reasonably certain to exercise is presented as follows:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| – Within one year | 0.4 | 0.6 |
| – More than one year but not exceeding two years | 1.6 | 2.8 |
| – More than two years but not exceeding five yeas | 14.3 | 6.6 |
| – More than five years | 47.7 | 47.5 |
| **Total** | **64.0** | **57.5** |

As presented under financing cashflows in the consolidated statement of cashflows, cash outflows for lease payments of US$36.5 million (2019: US$40.7 million) include repayment of US$22.5 million principal (2019: US$24.7 million) and US$14.0 million interest (2019: US$16.0 million).

In respect of lease contracts not recognised as right-of-use assets in line with HKFRS 16 requirements (refer to Note 6), payments of US$45.0 million (2019: US$42.9 million) have been presented under operating cash flows.

## 26. PROVISIONS

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-current** | | |
| Employee benefits | 15.8 | 12.0 |
| Workers' compensation | 0.4 | 0.4 |
| Mine rehabilitation, restoration and dismantling (a) | 485.2 | 419.6 |
| Other provisions | 45.1 | 39.3 |
| **Total non-current provisions** | **546.5** | **471.3** |
| **Current** | | |
| Employee benefits | 27.8 | 22.4 |
| Workers' compensation | 0.2 | 0.2 |
| Mine rehabilitation, restoration and dismantling (a) | 10.5 | 10.7 |
| Other provisions | 59.4 | 84.1 |
| **Total current provisions** | **97.9** | **117.4** |
| **Aggregate** | | |
| Employee benefits | 43.6 | 34.4 |
| Workers' compensation | 0.6 | 0.6 |
| Mine rehabilitation, restoration and dismantling (a) | 495.7 | 430.3 |
| Other provisions | 104.5 | 123.4 |
| **Total provisions** | **644.4** | **588.7** |

### (a) Mine rehabilitation, restoration and dismantling

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| At 1 January | 430.3 | 378.6 |
| Additional provisions recognised | 38.2 | 38.2 |
| Payments made | (2.1) | (1.2) |
| Unwinding of discount on provisions (Note 7) | 12.9 | 15.7 |
| Exchange rate differences | 16.4 | (1.0) |
| **At 31 December** | **495.7** | **430.3** |

Provision is made in these consolidated financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 27. DERIVATIVE FINANCIAL LIABILITIES

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-current** | | |
| Interest rate swap | 10.7 | - |
| **Current** | | |
| Cash flow hedge-Zinc | 7.9 | - |
| Commodity derivative-Copper (Note 31(d)) | 21.4 | - |
| | **40.0** | **-** |

At 31 December 2020, post-tax other comprehensive losses on changes in fair value arising from interest rate swap contracts were US$7.3 million (2019: nil) and from commodity hedges were US$5.5 million (2019: nil). Refer to Note 32 for details on the hedge derivative instruments.

## 28. OTHER FINANCIAL LIABILITES

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-current other financial liabilities** | | |
| Bank guarantee liabilities<br>(Note 32.1(c),(e), 32.3 and 32.4) (Note 36) | **145.4** | **135.7** |

Bank guarantees liabilities associated with the disposal of the Century mine in 2017, for the benefit of New Century Resources Limited ("New Century"). In line with the Bank Guarantee Support Agreement in place with New Century, excluding foreign exchange rate impact, the bank guarantee has been reduced by US$3.7 million (A$4.8 million) due to New Century's sale of its interest in Lawn Hill Pastoral Co. Consequently, the Group's liability in respect of such bank guarantee has also been reduced.

## 29. TRADE AND OTHER PAYABLES

The analysis of the trade and other payables is as follows:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Non-Current** | | |
| Other payables and accruals | 112.2 | - |
| | | |
| **Current** | | |
| Trade payables | | |
| - Less than 6 months | 265.7 | 306.9 |
| - More than 6 months | 3.4 | 3.1 |
| | 269.1 | 310.0 |
| Related party interest payable | 42.9 | 41.5 |
| Other payables and accruals | 158.2 | 239.8 |
| **Total current trade and other payables** | **470.2** | **591.3** |
| | | |
| **Aggregate** | | |
| Trade payables[1] | 269.1 | 310.0 |
| Related party interest payable (Note 31) | 42.9 | 41.5 |
| Other payables and accruals[2] | 270.4 | 239.8 |
| **Total trade and other payables** (Note 32) | **582.4** | **591.3** |

1. At 31 December 2020, the Group's trade payables included an amount of US$0.1 million (2019: US$1.3 million) (Note 31(d)), which was due to a related company of the Group. The ageing analysis of the trade payables is based on the creditors' invoice date;
2. At 31 December 2020, the Group's other payables and accruals included an amount of US$5.5 million (2019: US$9.3million) accrued interest on external bank borrowings.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Reconciliation of profit/(loss) for the year to net cash generated from operating activities is as follows:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Profit/(loss) for the year** | **5.6** | **(195.3)** |
| **Adjustments for:** | | |
| Finance income (Note 7) | (1.9) | (11.2) |
| Finance costs (Note 7) | 401.4 | 523.1 |
| Depreciation and amortisation expenses (Note 6) | 927.8 | 969.6 |
| Impairment expense (Note 12) | - | 150.0 |
| Loss on disposal of property, plant and equipment (Note 5) | 2.0 | 0.6 |
| Gain on termination of right-of-use assets | (0.3) | - |
| Loss on financial assets at fair value through profit or loss (Note 6) | 1.4 | 0.3 |
| Share-based payment | (0.5) | - |
| Unrealised loss on commodity hedge[1] | 21.4 | - |
| **Changes in working capital:** | | |
| Inventories | (15.7) | (208.6) |
| Trade and other receivables | 170.3 | 66.8 |
| Trade and other payables and provisions | (240.9) | 22.1 |
| Tax assets and tax liabilities | 87.6 | (172.3) |
| **Net cash generated from operating activities** | **1,358.2** | **1,145.1** |

### (b) In the Consolidated Statement of Cash Flows, purchase of property, plant and equipment comprises:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Total additions (Note 12) | 575.5 | 563.0 |
| *Less: non-cash reduction* | | |
| Transfer from provision for mine rehabilitation, restoration and dismantling[2] | (54.6) | (37.2) |
| *Less: other non-cash additions* | (6.3) | (49.5) |
| **Purchase of property, plant and equipment** | **514.6** | **476.3** |

1. The unrealized loss on commodity derivative is recognised in revenue;
2. The transfer from provision for mine rehabilitation, restoration and dismantling included the impact of exchange rate differences on foreign currency provisions for mine rehabilitation, restoration and dismantling for operating sites. Refer to Note 26(a) for details.

## 31. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by CMN through China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), which is a subsidiary of CMN. At 31 December 2020, 72.5% of the Company's shares are held by CMN and 27.5% are widely held by the public. The Directors consider the ultimate holding company is CMC, a stated-owned company incorporated in the PRC, of which CMN is a subsidiary.

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

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

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Revenue** | | |
| Sales of non-ferrous metals | 1,341.0 | 1,257.0 |
| **Purchases** | | |
| Purchases of consumables and services | (6.0) | (13.3) |
| **Finance costs – net** | | |
| Finance costs (Note 7) | (97.7) | (99.5) |
| **Commodity derivative** (Note 4) | (78.8) | - |

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

During the year ended 31 December 2020, the Group's significant transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and services and the related receivables and payables balances. These transactions were based on terms as set out in the underlying agreements, on statutory rates or market prices or actual cost incurred, or as mutually agreed.

### (c) Key management compensation

Key management includes Directors (executive and non-executive) and members of the Executive Committee. The key management personnel remuneration for the Group was as follows:

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Salaries and other short-term employee benefits | 5.1 | 6.5 |
| Short-term incentives and discretionary bonus | 4.6 | 1.9 |
| Long-term incentives | 0.8 | 1.0 |
| Post-employment benefits | 0.1 | 0.3 |
| | **10.6** | **9.7** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### (d) Year-end balances

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Amounts payable to related parties** | | |
| Loan from Top Create[1] (Note 24) | 2,261.3 | 2,261.3 |
| Loan from Top Create – working capital facility (Note 24)[2] | 230.0 | - |
| Interest payable to Top Create[1] (Note 29) | 42.9 | 41.5 |
| Trade payable to CMN (Note 29) | 0.1 | 1.3 |
| Other payable to CMN | 0.9 | - |
| | **2,535.2** | **2,304.1** |
| **Amounts receivable from related parties** | | |
| Trade receivables from CMN (Note 19) | 165.4 | 103.5 |
| Prepayments from CMN (Note 19) | 4.2 | - |
| | **169.6** | **103.5** |
| **Derivative financial liabilities to related parties** (Note 27) | **21.4** | **-** |

1. The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US$1,843.8 million) and 16 February 2015 (US$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG SA and Top Create. In accordance with that agreement, a loan facility of up to US$2,262.0 million was made available to MMG SA, for a period of four years commencing on the date of the first drawdown of the loan. The loan is repayable at the end of the eleven year term, with loan repayments falling due in three separate tranches in July 2023 (US$700.0 million), July 2024 (US$700.0 million), and July 2025 (US$862.0 million). The facility incurs interest at a separate all-in fixed rate for each of the repayment tranches of between 2.20% and 4.50% per annum, which is payable annually; and
2. The loan amount from Top Create represents amounts drawn from a new US$300.0 million revolving credit facility in June 2020 with a maturity date in June 2021. The facility incurs interest at LIBOR plus 1.0% per annum.

## 32. FINANCIAL AND OTHER RISK MANAGEMENT

### 32.1 FINANCIAL RISK FACTORS

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

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

### (a) Commodity price risk

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

During the year ended 31 December 2020, the Group entered into various commodity trades to hedge the sales prices for copper and zinc. This included hedging 110,300 tons of copper and 54,500 tons of zinc at prices ranging from US$6,392/ton to US$6,750/ton (copper) and US$2,381/ton to US$2,395/ton (zinc). Certain hedges will be settled in 2021 and the fair value of such derivatives has been disclosed in Note 27. The effective portion of such fair value movement, from hedge inception to date, has been recognised in other comprehensive loss amounting to US$5.5 million. A change in commodity prices during 2021 can result in favourable or unfavourable financial impact for the Group during 2021.

The following table contains details of the hedging instrument used in the Group's hedging strategy:

| AT 31 DECEMBER 2020 | TERM | CARRYING AMOUNT OF HEDGING INSTRUMENT US$ MILLION | FAVOURABLE/(UNFAVOURABLE) CHANGES IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS | | SETTLED PORTION OF HEDGING INSTRUMENT REALIZED LOSSES US$ MILLION (NOTE 23) | HEDGING LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE US$ MILLION | HEDGE INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS US$ MILLION |
|---|---|---|---|---|---|---|---|
| | | | HEDGING INSTRUMENT US$ MILLION | HEDGED ITEM US$ MILLION | | | |
| *Cash flow hedges:* | | | | | | | |
| Derivative financial liabilities (Note 27) | **January 2021 to March 2021** | **(7.9)** | **(7.9)** | **7.9** | **(6.8)** | **(5.5)** | **-** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

| | 2020 | | | 2019 | |
|---|---|---|---|---|---|
| COMMODITY | COMMODITY PRICE MOVEMENT | (DECREASE)/ INCREASE IN PROFIT US$ MILLION | INCREASE IN OCI US$ MILLION | COMMODITY PRICE MOVEMENT | DECREASE IN LOSS US$ MILLION |
| Copper | +10% | (11.0) | - | +10% | 44.0 |
| Zinc | +10% | 2.0 | (6.3) | +10% | 4.0 |
| **Total** | | **(9.0)** | **(6.3)** | | **48.0** |

| COMMODITY | COMMODITY PRICE MOVEMENT | DECREASE IN PROFIT US$ MILLION | DECREASE IN OCI US$ MILLION | COMMODITY PRICE MOVEMENT | INCREASE IN LOSS US$ MILLION |
|---|---|---|---|---|---|
| Copper | -10% | (18.9) | - | -10% | (44.0) |
| Zinc | -10% | (2.0) | 6.3 | -10% | (4.0) |
| **Total** | | **(20.9)** | **6.3** | | **(48.0)** |

### (b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents have been disclosed in Note 21 while the details of the Group's borrowings are set out in Note 24.

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

During the year ended 31 December 2020, MLB entered into a notional US$2,100 million 5-year amortising interest rate swap with respect to the floating 6-month LIBOR base rate applicable under its existing project facility, converting the floating rate to a fixed base rate. The main sources of hedge ineffectiveness are considered to be the effects of counterparty credit risks on the hedging instrument and uncertainty associated with benchmark interest rate reform. Further, if LIBOR rates become negative for a period of time, then this corresponding component of the hedging instrument will be ineffective from year two to year five. A floor is purchased on LIBOR at zero for the first year of the hedge instrument.

The following table contains details of the hedging instrument used in the Group's hedging strategy:

| AT 31 DECEMBER 2020 | TERM | NOTIONAL AMORTISING AMOUNT US$ MILLION | CARRYING AMOUNT OF HEDGING INSTRUMENT US$ MILLION | FAVOURABLE/(UNFAVOURABLE) CHANGES IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS | | SETTLED PORTION OF HEDGING INSTRUMENT REALIZED LOSSES US$ MILLION (NOTE 23) | HEDGING LOSS RECOGNISED IN CASH FLOW HEDGE RESERVE US$ MILLION | HEDGE INEFFECTIVENESS RECOGNISED IN PROFIT OR LOSS US$ MILLION |
|---|---|---|---|---|---|---|---|---|
| | | | | HEDGING INSTRUMENT US$ MILLION | HEDGED ITEM US$ MILLION | | | |
| *Cash flow hedges:* | | | | | | | | |
| Derivative financial liabilities (Note 27)[1] | June 2020 – June 2025 | 2,020.0 | (10.7) | (10.7) | 10.7 | (1.4) | (7.3) | - |

1. During the year ended 31 December 2020, the Group has entered into a notional US$2,100 million 5-year amortising interest rate swap with BOC Sydney. The purpose of the arrangement is to fix approximately half of the remaining interest rate exposure accompanying the floating interest rate MLB project facility (borrowings of US$4,068.6 million outstanding at 31 December 2020, maturing in June 2032) from CDB, ICBC, BOC Sydney and The Export-Import Bank of China for a period of 5 years. The interest rate swap hedge will amortise in line with the MLB project facility and swap the 6-month LIBOR exposure for a fixed rate (0.5568% in the first year and 0.5425% from the year two to year five).

At 31 December 2020 and 31 December 2019, if the interest rate had increased/(decreased) by 100 basis points, taking into account the interest rate swap, with all other variables held constant, post-tax profit/(loss) and other comprehensive income (OCI) would have changed as follows:

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | +100 BASIS POINTS | | -100 BASIS POINTS | | +100 BASIS POINTS | | -100 BASIS POINTS | |
| US$ MILLION | INCREASE/ (DECREASE) IN PROFIT AFTER TAX | INCREASE/ (DECREASE) IN OCI | INCREASE/ (DECREASE) IN PROFIT AFTER TAX | INCREASE/ (DECREASE) IN OCI | (INCREASE)/ DECREASE IN LOSS AFTER TAX | (INCREASE)/ DECREASE IN OCI | (INCREASE) / DECREASE IN LOSS AFTER TAX | (INCREASE)/ DECREASE IN OCI |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 1.3 | - | (1.3) | - | 1.5 | - | (1.5) | - |
| **Financial liabilities** | | | | | | | | |
| Borrowings (taking into account the impact of the interest rate swap) | (19.0) | 39.1 | (18.5) | (15.9) | (36.9) | - | 36.9 | - |
| **Total** | **(17.7)** | **39.1** | **(19.8)** | **(15.9)** | **(35.4)** | **-** | **35.4** | **-** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## EFFECT OF BENCHMARK INTEREST RATES REFORM

Following the global financial crisis, the reform and replacement of benchmark interest rates such as US$ LIBOR became a priority for global regulators. It is expected that LIBOR will no longer be published after December 2021. There is currently uncertainty around the timing and precise nature of these changes. The Group's risk exposure that is directly affected by the interest rate benchmark reform is its borrowings at variable rates. The Group has hedged US$2,100.0 million of these borrowings with an amortising interest rate swap, and it has designated the swap as a cash flow hedge of the variability in cash flows of the debt. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. If, and when, LIBOR is replaced as the underlying variable rate applicable to the Group's borrowings, with an alternate benchmark rate, this may potentially impact the future interest payable on the Group's borrowings. The Group is closely monitoring the transition to new benchmark interest rates.

The Group's management has opted to early adopted Phase I and opted to early adopt Phase II of the *Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform*. In respect of the interest rate swap entered into by the Group, the amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships if it directly gets affected by benchmark interest rates reform. This will prevent hedge accounting from terminating but may result in hedge ineffectiveness. Any hedge ineffectiveness continues to be recorded in the consolidated statement of profit or loss.

### (c) Foreign exchange risk

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

The following table shows the foreign currency risk arising from the monetary assets and liabilities, which are shown by foreign currency of respective subsidiaries.

| US$ MILLION | NOTES | US$ | PEN | A$ | HK$ | OTHERS | TOTAL |
|---|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 21 | 173.0 | 13.7 | 2.7 | 1.2 | 2.1 | **192.7** |
| Trade receivables | 19 | 369.2 | - | - | - | - | **369.2** |
| Other receivables | | 41.8 | 124.7 | 3.4 | 0.3 | 15.1 | **185.3** |
| Other financial assets | 20 | 1.7 | - | - | - | - | **1.7** |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | 29 | (218.4) | (285.6) | (75.3) | - | (3.1) | **(582.4)** |
| Other financial liabilities | 28 | - | - | (145.4) | - | - | **(145.4)** |
| Borrowings | 24 | (7,179.5) | - | - | - | - | **(7,179.5)** |
| Lease liabilities | 25 | (131.3) | (0.3) | (17.1) | - | - | **(148.7)** |
| Derivative financial liabilities | 27 | (40.0) | - | - | - | - | **(40.0)** |
| | | **(6,983.5)** | **(147.5)** | **(231.7)** | **1.5** | **14.1** | **(7,347.1)** |

| US$ MILLION | NOTES | US$ | PEN | A$ | HK$ | OTHERS | TOTAL |
|---|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 21 | 197.5 | 10.0 | 7.7 | 0.3 | 2.0 | **217.5** |
| Trade receivables | 19 | 240.6 | - | - | - | - | **240.6** |
| Other receivables | | 48.9 | 106.8 | 5.5 | - | 15.3 | **176.5** |
| Other financial assets | 20 | 3.1 | - | - | - | - | **3.1** |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | 29 | (412.6) | (100.5) | (53.5) | - | (24.7) | **(591.3)** |
| Other financial liabilities | 28 | - | - | (135.7) | - | - | **(135.7)** |
| Borrowings | 24 | (7,628.3) | - | - | - | - | **(7,628.3)** |
| Lease liabilities | 25 | (145.0) | (0.2) | (15.1) | (0.4) | (0.1) | **(160.8)** |
| | | **(7,695.8)** | **16.1** | **(191.1)** | **(0.1)** | **(7.5)** | **(7,878.4)** |

Based on the Group's net monetary assets and financial liabilities at 31 December 2020 and 2019, a movement of the US dollar against the principal non-functional currencies as illustrated in the table below, with all other variables held constant, would cause changes in post-tax profit/(loss) as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | WEAKENING OF US DOLLAR | STRENGTHENING OF US DOLLAR | WEAKENING OF US DOLLAR | STRENGTHENING OF US DOLLAR |
| US$ MILLION | (DECREASE)/ INCREASE IN PROFIT AFTER TAX | (DECREASE)/ INCREASE IN PROFIT AFTER TAX | (INCREASE)/ DECREASE IN LOSS AFTER TAX | (INCREASE)/ DECREASE IN LOSS AFTER TAX |
| 10% movement in Australian dollar (2019: 10%) | (16.2) | 16.2 | (13.4) | 13.4 |
| 10% movement in Peruvian sol (2019: 10%) | (10.0) | 10.0 | 1.1 | (1.1) |
| **Total** | **(26.2)** | **26.2** | **(12.3)** | **12.3** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### (d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, the majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. The aging analysis of the trade receivables is provided in Note 19, and 100% of the balance is aged less than 6 months based on invoice date. The carrying amount of the Group's trade receivables at FVTPL as disclosed in Note 19 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

Investments in cash, short-term deposits and similar assets are with approved counterparty banks. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. There has been no change in the estimation techniques or significant assumptions made during the year ended 31 December 2020 in assessing the ECL for these financial assets. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. Impairment is provided for where the credit risk is perceived to exceed the acceptable levels and there are concerns on recoverability of the relevant assets. The management of the Group considers cash and cash equivalent that are deposited with financial institutions with high credit rating to be low credit risk financial assets.

The Group's most significant customers are CMN, Citic Metal Peru Investment Limited (CITIC Metal), and Trafigura Pte Ltd (Trafigura). Revenue earned from these customers as a percentage of total revenue was:

| | 2020 | 2019 |
|---|---|---|
| CMN | 37.9% | 36.4% |
| CITIC Metal | 18.3% | 16.9% |
| Trafigura | 14.6% | 14.0% |

The Group's largest debtor at 31 December 2020 was CMN, with a balance of US$121.1 million (2019: CMN with US$60.4 million) and the five largest debtors accounted for 85.0% (2019: 77.6%) of the Group's trade receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying.

The credit risk by geographic region was:

| | AT 31 DECEMBER | |
|---|---|---|
| **US$ MILLION** | **2020** | **2019** |
| Asia | 297.5 | 157.7 |
| Europe | 67.9 | 65.7 |
| Australia | 0.6 | 5.6 |
| Other | 3.2 | 11.6 |
| | **369.2** | **240.6** |

### (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 financial information to ensure that appropriate liquidity buffers are maintained to support the Group's activities.

The table below analyses the Group's non-derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in each maturity grouping are the contractual undiscounted cash flows for non-derivative financial instruments.

| US$ MILLION | WITHIN 1 YEAR | BETWEEN 1 AND 2 YEARS | BETWEEN 2 AND 5 YEARS | OVER 5 YEARS | TOTAL | TOTAL CARRYING VALUE |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents (Note 21) | 192.7 | - | - | - | **192.7** | **192.7** |
| Trade receivables (Note 19) | 369.2 | - | - | - | **369.2** | **369.2** |
| Other receivables | 139.4 | 23.4 | 16.7 | 5.8 | **185.3** | **185.3** |
| Other financial assets (Note 20) | 1.7 | - | - | - | **1.7** | **1.7** |
| **Financial liabilities** | | | | | | |
| Trade and other payables (Note 29) | (470.2) | (112.2) | - | - | **(582.4)** | **(582.4)** |
| Other financial liabilities (Note 28) | - | - | - | (145.4) | **(145.4)** | **(145.4)** |
| Borrowings (including interest) (Note 24) | (1,152.6) | (969.2) | (4,418.1) | (1,999.6) | **(8,539.5)** | **(7,179.5)** |
| Lease liabilities (including interest) (Note 25) | (33.0) | (29.7) | (57.0) | (113.4) | **(233.1)** | **(148.7)** |
| Derivative financial liabilities (Note 27) | (35.8) | (6.0) | 1.7 | - | **(40.1)** | **(40.0)** |
| | **(988.6)** | **(1,093.7)** | **(4,456.7)** | **(2,252.6)** | **(8,791.6)** | **(7,347.1)** |
| **At 31 December 2019** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents (Note 21) | 217.5 | - | - | - | **217.5** | **217.5** |
| Trade receivables (Note 19) | 240.6 | - | - | - | **240.6** | **240.6** |
| Other receivables | 83.6 | 92.9 | - | - | **176.5** | **176.5** |
| Other financial assets (Note 20) | 3.1 | - | - | - | **3.1** | **3.1** |
| **Financial liabilities** | | | | | | |
| Trade and other payables (Note 29) | (591.3) | - | - | - | **(591.3)** | **(591.3)** |
| Other financial liabilities (Note 28) | - | - | - | (135.7) | **(135.7)** | **(135.7)** |
| Borrowings (including interest) (Note 24) | (1,157.0) | (1,650.5) | (3,388.5) | (3,392.9) | **(9,588.9)** | **(7,628.3)** |
| Lease liabilities (including interest) (Note 25) | (36.5) | (28.5) | (64.0) | (128.6) | **(257.6)** | **(160.8)** |
| | **(1,240.0)** | **(1,586.1)** | **(3,452.5)** | **(3,657.2)** | **(9,935.8)** | **(7,878.4)** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**Available debt facilities**

At 31 December 2020, the Group (excluding the Las Bambas Joint Venture Group) had available to its undrawn debt facilities of US$650.0 million (31 December 2019: US$220.0 million). This was represented by:

1. US$70.0 million (2019: nil) that was undrawn and available under a US$300.0 million revolving credit facility provided by Top Create, for general corporate purposes. The facility, which matures in June 2021, was established in June 2020, to replace a US$300.0 million revolving credit facility provided by ICBC, Melbourne Branch that was due to mature in December 2020;
2. US$200.0 million (2019: US$100.0 million) that was undrawn and available under a US$200.0 million revolving credit facility provided by Top Create, for general corporate purposes. In May of 2020, the limit of this facility was increased from US$100.0 million to US$200.0 million and the maturity date extended from April to October 2021;
3. US$80.0 million that was an additional US$85.0 million facility with China Development Bank maturing in September 2023; and
4. US$300.0 million that was a new US$300.0 million revolving credit facility with ICBC maturing in December 2023.

At 31 December 2020, the Las Bambas Joint Venture Group had available to it undrawn debt facilities of US$1,150.0 million (31 December 2019: US$350.0 million). This was represented by:

1. US$175.0 million (2019: US$175.0 million) that was undrawn and available under a US$175.0 million revolving credit facility provided by BOC Sydney, for general corporate purposes;
2. US$175.0 million (2019: US$175.0 million) that was undrawn and available under a US$175.0 million revolving credit facility provided by ICBC Luxembourg, for general corporate purposes; and
3. US$800.0 million (2019: nil) that was an additional US$800.0 million three years revolving credit facility to support the operation through the COVID-19 pandemic with China Development Bank, Bank of China, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China.

In addition, at 31 December 2020, the Las Bambas Joint Venture Group had an agreement with CMC and CITIC, each as direct or indirect off-takers of Las Bambas production, for early payment on cargoes already shipped and invoiced as well as pre-payments for inventory held at both port and site. Early payment and pre-payments are permitted up to an aggregate amount of US$200.0 million, allocated to each party in their respective off-take proportions.

The Group's available external debt facilities are subject to covenant compliance requirements. The Group was not in breach of covenant requirements in respect of the Group's borrowings at 31 December 2020. Certain financial covenants are measured with reference to the financial performance of the Group or its subsidiaries, and may be influenced by future operational performance and community related disruptions.

### 32.2 SOVEREIGN RISK

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates, changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in governments seeking alternative means of increasing their income, including increases to corporate tax, VAT and royalty rates, coupled with increased audit and compliance activity. The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code), and continue to result in an increased tax burden on mining companies.

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

### 32.3 FAIR VALUES 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 values of listed equity investments have been valued by reference to market prices prevailing at the reporting date.

The carrying values of trade and other receivables less impairment provisions and trade payables are a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair values 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 31 December 2020 and 2019 are:

| US$ MILLION | NOTES | AMORTISED COST (ASSETS) | FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE DESIGNATED UNDER CASH FLOW HEDGE | AMORTISED COST (LIABILITIES) | TOTAL CARRYING VALUE | TOTAL FAIR VALUE |
|---|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and cash equivalents | 21 | 192.7 | - | - | - | **192.7** | **192.7** |
| Trade receivables | 19 | - | 369.2 | - | - | **369.2** | **369.2** |
| Other receivables | | 185.3 | - | - | - | **185.3** | **185.3** |
| Other financial assets | 20 | - | 1.7 | - | - | **1.7** | **1.7** |
| **Financial liabilities** | | | | | | | |
| Trade and other payables | 29 | - | - | - | (582.4) | **(582.4)** | **(582.4)** |
| Other financial liabilities | 28 | - | (145.4) | - | - | **(145.4)** | **(145.4)** |
| Derivative financial liabilities | 27 | - | (21.4) | (18.6) | - | **(40.0)** | **(40.0)** |
| Borrowings | 24 | - | - | - | (7,179.5) | **(7,179.5)** | **(7,179.5)** |
| Lease liabilities | 25 | - | - | - | (148.7) | **(148.7)** | **(148.7)** |
| | | **378.0** | **204.1** | **(18.6)** | **(7,910.6)** | **(7,347.1)** | **(7,347.1)** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

| US$ MILLION | NOTES | AMORTISED COST (ASSETS) | FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | AMORTISED COST (LIABILITIES) | TOTAL CARRYING VALUE | TOTAL FAIR VALUE |
|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 21 | 217.5 | - | - | **217.5** | **217.5** |
| Trade receivables | 19 | - | 240.6 | - | **240.6** | **240.6** |
| Other receivables | | 176.5 | - | - | **176.5** | **176.5** |
| Other financial assets | 20 | - | 3.1 | - | **3.1** | **3.1** |
| **Financial liabilities** | | | | | | |
| Trade and other payables | 29 | - | - | (591.3) | **(591.3)** | **(591.3)** |
| Other financial liabilities | 28 | - | (135.7) | - | **(135.7)** | **(135.7)** |
| Borrowings | 24 | - | - | (7,628.3) | **(7,628.3)** | **(7,628.3)** |
| Lease liabilities | 25 | - | - | (160.8) | **(160.8)** | **(160.8)** |
| | | **394.0** | **108.0** | **(8,380.4)** | **(7,878.4)** | **(7,878.4)** |

### 32.4 FAIR VALUE ESTIMATION

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2020 and 31 December 2019.

| US$ MILLION | LEVEL 1 | LEVEL 2 | LEVEL 3 | TOTAL |
|---|---|---|---|---|
| **At 31 December 2020** | | | | |
| Trade receivables (Note 19) | - | 369.2 | - | **369.2** |
| Financial assets at fair value through profit and loss – listed[1] (Note 20) | 1.7 | - | - | **1.7** |
| Derivative financial liabilities[2] (Note 27) | - | (40.0) | - | **(40.0)** |
| Other financial liabilities[3] (Note 28) | - | - | (145.4) | **(145.4)** |
| | **1.7** | **329.2** | **(145.4)** | **185.5** |
| **At 31 December 2019** | | | | |
| Trade receivables (Note 19) | - | 240.6 | - | **240.6** |
| Financial assets at fair value through profit and loss – listed[1] (Note 20) | 3.1 | - | - | **3.1** |
| Other financial liabilities[3] (Note 28) | - | - | (135.7) | **(135.7)** |
| | **3.1** | **240.6** | **(135.7)** | **108.0** |

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

1. The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Instruments included in level 1 comprise investments in listed stock exchanges;
2. The fair value of the interest rate swap is determined based on discounted future cash flows. Future cash flows are estimated based on forward interest rates from observable yield curves at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties. The fair value of the commodity swap is determined based on discounted future cash flows. Future cash flows are estimated based on London Metal Exchange contract future rates for commodities at the end of the reporting period and contracted commodity prices, discounted at a rate that reflects the credit risk of various counterparties; and
3. Reflecting the bank guarantees associated with the disposal of the Century mine in 2017. The amount of possible cash outflow is regularly assessed by the management and is the significant unobservable input to the fair value determination. The management considers the fair value is the maximum amount payable stipulated under the bank guarantee agreement at the reporting date.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 32.5 CAPITAL RISK MANAGEMENT

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

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

| MMG GROUP | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| Total borrowings (excluding prepaid finance charges)[1] (Note 24) | 7,238.5 | 7,691.9 |
| Less: cash and cash equivalents (Note 21) | (192.7) | (217.5) |
| **Net debt** | **7,045.8** | **7,474.4** |
| Total equity | 2,669.7 | 2,677.9 |
| **Net debt +Total equity** | **9,715.5** | **10,152.3** |
| | | |
| **Gearing ratio** | **0.73** | **0.74** |

1. Borrowings at an MMG Group level reflect 100% of borrowings of the Las Bambas Joint Venture Group. The Las Bambas Joint Venture Group's borrowings have not been reduced to reflect the MMG Group's 62.5% equity interest in that entity. This is consistent with the basis of preparation of MMG's financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,261.3 million (2019: US$2,261.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas Joint Venture Group. For the purpose of the above, it has however been included as borrowings.

## 33. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2020 is set out below:

| | FOR THE YEAR ENDED 31 DECEMBER 2020 | | | | | |
|---|---|---|---|---|---|---|
| NAME OF DIRECTOR | FEES US$'000 | SALARIES US$'000 | OTHER BENEFITS[1] US$'000 | SHORT-TERM INCENTIVE PLANS[2] US$'000 | LONG-TERM INCENTIVE PLANS[3] US$'000 | TOTAL US$'000 |
| Mr GAO Xiaoyu | - | 1,536 | 32 | 1,674 | 403 | 3,645 |
| Mr XU Jiqing[4] | 140 | - | 41 | - | - | 181 |
| Mr JIAO Jian | 135 | - | 8 | - | - | 143 |
| Mr LEUNG Cheuk Yan | 140 | - | - | - | - | 140 |
| Dr Peter William CASSIDY | 150 | - | 4 | - | - | 154 |
| Mr GUO Wenqing (Chairman) | - | - | - | - | - | - |
| Mr ZHANG Shuqiang | 135 | - | 2 | - | - | 137 |
| Mr Peter Ka Keung CHAN | 159 | - | - | - | - | 159 |
| | **859** | **1,536** | **87** | **1,674** | **403** | **4,559** |

1. Other benefits include statutory superannuation, pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.
2. Short-term incentive ("STI") plans include at-risk, performance-linked remuneration, STI plans and discretionary bonuses.

   The STI plan is an annual cash award determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs, and operational safety.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. All employees on long-term employment contracts are eligible to participate in a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.
3. Long-term incentive ("LTI") plans are performance-linked remuneration LTI plans, and are mostly recently consist of the 2018, 2019 and 2020 Long-Term Incentive Equity plans ("LTIEP"), which are Performance Awards Schemes vesting at the conclusion of a three-year performance period. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. The LTI plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome. The values attributed to the LTI plans are subject to Board approval at end of the vesting period.
4. Resigned as the Executive General Manager – Commercial and was re-designated from an Executive Director to a Non-Executive Director of the Company on 1 January 2020. His interests in the 2017, 2018 and 2019 LTIEP lapsed on the same day.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The remuneration of every Director for the year ended 31 December 2019 is set out below:

| | FOR THE YEAR ENDED 31 DECEMBER 2019 | | | | | |
|---|---|---|---|---|---|---|
| NAME OF DIRECTOR | FEES US$'000 | SALARIES US$'000 | OTHER BENEFITS[1] US$'000 | SHORT-TERM INCENTIVE PLANS[2] US$'000 | LONG-TERM INCENTIVE PLANS[3] US$'000 | TOTAL US$'000 |
| Mr GAO Xiaoyu | - | 1,553 | 16 | 802 | 616 | 2,987 |
| Mr XU Jiqing[4] | - | 586 | 14 | - | 104 | 704 |
| Mr JIAO Jian | 152 | - | 9 | - | - | 161 |
| Mr LEUNG Cheuk Yan | 149 | - | - | - | - | 149 |
| Dr Peter William CASSIDY | 156 | - | 2 | - | - | 158 |
| Ms Jennifer Anne Seabrook[5] | 135 | - | 2 | - | - | 137 |
| Professor PEI Ker Wei[6] | 149 | - | - | - | - | 149 |
| Mr GUO Wenqing (Chairman) | - | - | - | - | - | - |
| Mr ZHANG Shuqiang | 141 | - | 2 | - | - | 143 |
| Mr Peter Ka Keung CHAN[7] | 14 | - | - | - | - | 14 |
| | **896** | **2,139** | **45** | **802** | **720** | **4,602** |

1. Other benefits include statutory superannuation, pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.
2. STI plans include at-risk, performance-linked remuneration, STI plans and discretionary bonuses.

   The STI plan is an annual cash award determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs, and operational safety.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. All employees on long-term employment contracts are eligible to participate in a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.
3. LTI plans are performance-linked remuneration LTI plans, and are mostly consist of 2017, 2018 and 2019 LTIEP, which are Performance Awards Scheme vesting at the conclusion of three performance years. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. The LTI plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome. The values attributed to the LTI plans are subject to Board approval at end of the vesting period.
4. Resigned as the Executive General Manager – Commercial and was re-designated from an Executive Director to a Non-Executive Director of the Company on 1 January 2020. His interests in the 2017, 2018 and 2019 LTIEP lapsed on the same day.
5. Resigned as the Independent Non-Executive Director of the Company on 22 October 2019.
6. Resigned as the Independent Non-Executive Director of the Company on 4 December 2019.
7. Appointed as the Independent Non-Executive Director of the Company on 4 December 2019.

### (b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one Director (2019: 1) whose emoluments are reflected in the analysis presented above and four (2019: 4) senior executives whose remuneration by band are set out in the "Senior management remuneration by band" section in this Note.

Details of the emoluments payable to all five individuals during the year are as follows:

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Salaries and other short-term employee benefits | 4,184 | 4,472 |
| Short-term incentives and discretionary bonus | 4,603 | 2,026 |
| Long-term incentives | 798 | 1,126 |
| Post-employment benefits | 109 | 281 |
| | **9,694** | **7,905** |

During the years ended 31 December 2020 and 2019, Mr Guo Wenqing waived emoluments and no emoluments were paid or payable by the Group to the Directors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### (c) Senior management remuneration by band

The emoluments fell within the following bands:

| | NUMBER OF INDIVIDUALS | |
|---|---|---|
| | 2020 | 2019 |
| HK$1 - HK$500,000 (US$1 - US$63,800) | - | 1 |
| HK$1,000,001 - HK$1,500,000 (US$127,601 - US$191,400) | - | 1 |
| HK$5,500,001 - HK$6,000,000 (US$701,791 - US$765,590) | - | 1 |
| HK$7,000,001 - HK$7,500,000 (US$893,191 - US$956,990) | - | 1 |
| HK$7,500,001 - HK$8,000,000 (US$956,991 - US$1,020,790) | - | 1 |
| HK$8,500,001 - HK$9,000,000 (US$1,084,581 - US$1,148,380) | 1 | - |
| HK$9,000,001 - HK$9,500,000 (US$1,148,381-US$1,212,180) | 1 | - |
| HK$10,000,001 - HK$10,500,000 (US$1,275,981-US$1,339,780) | 1 | - |
| HK$11,000,001 - HK$11,500,000 (US$1,403,581 - US$1,467,380) | - | 1 |
| HK$12,000,001 - HK$12,500,000 (US$1,531,181 - US$1,594,980) | - | 1 |
| HK$19,500,001 - HK$20,000,000 (US$2,488,171-US$2,551,960) | 1 | - |
| HK$23,000,001 - HK$23,500,000 (US$2,934,761 - US$2,998,560) | - | 1 |
| HK$28,500,001 - HK$29,000,000 (US$3,636,551- US$3,700,350) | 1 | - |
| | **5** | **8** |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 34. LONG-TERM INCENTIVE EQUITY PLANS

### SHARE OPTION SCHEME

Pursuant to share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), options were granted to eligible participants under 2013 Options and 2016 Options. At 31 December 2020, there were a total of 11,192,385 options outstanding granted under 2013 Options and 2016 Options (2019: 51,453,166), of which 11,192,385 (2019: 51,453,166) were exercisable. The outstanding options represented approximately 0.14% (2019: 0.93%) of the total number of issued shares of the Company at that date.

During the year ended 31 December 2020, the movements in the number of options granted under the 2013 Options and 2016 Options were as follows:

#### (i) 2013 Options

On 9 April 2013, 13 December 2016 and 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2013 Options). There were no options outstanding at 31 December 2020. During the year ended 31 December 2020, the movements of the 2013 Options were as follows:

| | | | | NUMBER OF OPTIONS | | | | |
|---|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1,2,3] | EXERCISE PRICE PER[2,4] SHARE (HK$) | EXERCISE PERIOD[2,5] | BALANCE AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR[6] | BALANCE AT 31 DECEMBER 2020 |
| **Directors** | | | | | | | | |
| XU Jiqing | 15 December 2016 | 2.51 | End of vesting period to 8 April 2020 | 2,626,701 | - | - | (2,626,701) | - |
| **Employees of the Group** | 9 April 2013, 13 December 2016, and 15 December 2016 | 2.51 | End of vesting period to 8 April 2020 | 20,966,637 | - | - | (20,966,637) | - |
| **Total Group** | | | | **23,593,338** | **-** | **-** | **(23,593,338)** | **-** |

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK$2.45 per share.
2. Pursuant to the terms of the long term incentive equity plan of the Company (Long Term Incentive Equity Plan), which governs (among others) the share option scheme, the exercise price and the number of shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, adjustment of options took place on 13 December 2016, and conversion from cash-based entitlements to equity-based entitlements took place on 15 December 2016.
3. As originally contemplated in the 2013 Long Term Incentive Cash Plan, 5,923,307 options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long Term Incentive Cash Plan pursuant to the 2013 Share Option Scheme, to the equity equivalent of the entitlements they would have received historically under the 2013 Share Option Scheme, had they received such equity-based entitlements, rather than cash-based entitlements at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
4. As a result of the Rights Issue, the exercise price per share was adjusted from HK$2.62 to HK$2.51.
5. The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of financial, resources growth and market-related performance targets during the vesting period. Achievement of the Company and individual performance conditions has resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. Options lapsed due to the expiry of the exercise period.

During the year ended 31 December 2019, the movements of the 2013 Options were as follows:

| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1,2,3] | EXERCISE PRICE PER[2,4] SHARE (HK$) | EXERCISE PERIOD[2,5] | BALANCE AT 1 JANUARY 2019 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR[6] | BALANCE AT 31 DECEMBER 2019 |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| XU Jiqing | 15 December 2016 | 2.51 | End of vesting period to 8 April 2020 | 2,626,701 | - | - | - | 2,626,701 |
| **Employees of the Group** | 9 April 2013, 13 December 2016, and 15 December 2016 | 2.51 | End of vesting period to 8 April 2020 | 25,233,127 | - | (2,157,638) | (2,108,852) | 20,966,637 |
| **Total Group** | | | | **27,859,828** | **-** | **(2,157,638)** | **(2,108,852)** | **23,593,338** |

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK$2.45 per share.
2. Pursuant to the terms of the long-term incentive equity plan of the Company (Long-Term Incentive Equity Plan), which governs (among others) the share option scheme, the exercise price and the number of shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, adjustment of options took place on 13 December 2016, and conversion from cash-based entitlements to equity-based entitlements took place on 15 December 2016.
3. As originally contemplated in the 2013 Long-Term Incentive Cash Plan, 5,923,307 Options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long-Term Incentive Cash Plan pursuant to the 2013 Share Option Scheme, to the equity equivalent of the entitlements they would have received historically under the 2013 Share Option Scheme, had they received such equity-based entitlements, rather than cash-based entitlements, at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
4. As a result of Rights Issue, the exercise price per share was adjusted from HK$2.62 to HK$2.51.
5. The vesting period of the options was three years from the date of grant. The vesting of options was conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, resources growth and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions has resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. Options lapsed due to cessation of employment.

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

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.68%; the expected volatility used in calculating the value of options was 46% and the expected dividend was assumed to be nil.

The 2013 Options vested on 9 April 2016 with an overall outcome of 66.67% of the target values. The validity period of the options is seven years from the date of grant to 8 April 2020.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### (ii) 2016 Options

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 11,192,385 options outstanding at 31 December 2020, which represented approximately 0.14% of the total number of issued shares of the Company at 31 December 2020.

During the year ended 31 December 2020, the movements of the 2016 Options were as follows:

| | | | | NUMBER OF OPTIONS | | | | |
|---|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | EXERCISE PRICE PER SHARE (HK$) | EXERCISE PERIOD[2,5] | BALANCE AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR[3] | LAPSED DURING THE YEAR[4] | BALANCE AT 31 DECEMBER 2020 |
| **Directors** | | | | | | | | |
| XU Jiqing | 15 December 2016 | 2.29 | 4 years after date of vesting | 1,164,420 | - | - | (1,164,420) | - |
| **Employees of the Group** | 15 December 2016 | 2.29 | 4 years after date of vesting | 24,628,806 | - | (3,554,014) | (9,882,407) | 11,192,385 |
| **Total Group** | | | | **25,793,226** | **-** | **(3,554,014)** | **(11,046,827)** | **11,192,385** |

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of the vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance level achieved. Achievement of the Company and individual performance conditions have resulted in 33.33% of the 2016 Options granted to participants vesting on 22 May 2019.
3. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$3.30.
4. Options lapsed due to cessation of employment.
5. No options were cancelled during the year.

During the year ended 31 December 2019, the movements of the 2016 Options were as follows:

| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | EXERCISE PRICE PER SHARE (HK$) | EXERCISE PERIOD[2,4] | BALANCE AT 1 JANUARY 2019 | GRANTED DURING THE YEAR | EXERCISED DURING THE YEAR | LAPSED DURING THE YEAR[3] | BALANCE AT 31 DECEMBER 2019 |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| XU Jiqing | 15 December 2016 | 2.29 | 4 years after date of vesting | 3,493,261 | - | - | (2,328,841) | 1,164,420 |
| **Employees of the Group** | 15 December 2016 | 2.29 | 4 years after date of vesting | 128,980,780 | - | (630,785) | (103,721,189) | 24,628,806 |
| | | | | **132,474,041** | **-** | **(630,785)** | **(106,050,030)** | **25,793,226** |

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of the vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance level achieved. Achievement of the Company and individual performance conditions have resulted in 33.33% of the 2016 Options granted to participants vesting on 22 May 2019.
3. Options lapsed due to a combination of cessation of employment and non-achievement of performance conditions during the vesting period.
4. No options were cancelled during the year.

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

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

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## PERFORMANCE AWARDS (SHARES)

Pursuant to the performance awards granted under the Long-Term Incentive Equity Plan, performance awards were granted to eligible participants under 2017 Performance Awards, 2018 Performance Awards, 2019 Performance Awards and 2020 Performance Awards. At 31 December 2020, there were a total of 95,023,094 performance awards outstanding granted under the 2017 Performance Awards, 2018 Performance Awards, 2019 Performance Awards and 2020 Performance Awards, which represented approximately 1.18% of the total number of issued shares of the Company at that date.

### 2017 Performance Awards

On 31 August 2017, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2017 Performance Awards). There were no performance awards outstanding at 31 December 2020.

During the year ended 31 December 2020, the movements of the 2017 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | BALANCES AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | VESTED AND EXERCISED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR[3] | BALANCE AT 31 DECEMBER 2020 |
| **Directors** | | | | | | | |
| XU Jiqing[2] | 31 August 2017 | 1,476,000 | - | - | - | (1,476,000) | - |
| **Employees of the Group** | 31 August 2017 | 37,872,866 | - | (8,692,897) | - | (29,179,969) | - |
| **Total** | | **39,348,866** | **-** | **(8,692,897)** | **-** | **(30,655,969)** | **-** |

1. The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration. Achievement of the Company and individual performance conditions have resulted in 27% of the 2017 Performance Awards granted to participants vesting on 22 May 2020.
2. On 1 January 2020, Mr Xu Jiqing resigned as the Executive General Manager - Commercial and was redesignated from an Executive Director to a Non-executive Director of the Company. His interests in the 1,476,000 performance awards lapsed on the same day.
3. Performance awards lapsed due to non-achievement of performance conditions during the vesting period.

During the year ended 31 December 2019, the movements of the 2017 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| **CATEGORY AND NAME OF PARTICIPANT** | **DATE OF GRANT[1]** | **BALANCES AT 1 JANUARY 2019** | **GRANTED DURING THE YEAR** | **VESTED AND EXERCISED DURING THE YEAR** | **CANCELLED DURING THE YEAR** | **LAPSED DURING THE YEAR[2]** | **BALANCE AT 31 DECEMBER 2019** |
| **Directors** | | | | | | | |
| XU Jiqing | 31 August 2017 | 1,476,000 | - | - | - | - | 1,476,000 |
| **Employees of the Group** | 31 August 2017 | 42,429,449 | - | - | - | (4,556,583) | 37,872,866 |
| **Total** | | **43,905,449** | **-** | **-** | **-** | **(4,556,583)** | **39,348,866** |

1. The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019. The time of vesting will be on or around April 2020. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 31 August 2017 was approximately US$0.4434 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.34%; the expected volatility used in calculating the value of performance awards was 46.78% and the expected dividend was assumed to be nil.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2018 Performance Awards

On 29 June 2018, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2018 Performance Awards). There were 7,002,799 performance awards outstanding at 31 December 2020, representing approximately 0.09% of the total number of issued shares of the Company at that date.

During the year ended 31 December 2020, the movements of the 2018 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | BALANCES AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | VESTED AND EXERCISED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR[3] | BALANCE AT 31 DECEMBER 2020 |
| **Directors** | | | | | | | |
| XU Jiqing[2] | 29 June 2018 | 705,833 | - | - | - | (705,833) | - |
| **Employees of the Group** | 29 June 2018 | 7,618,284 | - | - | - | (615,485) | 7,002,799 |
| **Total** | | **8,324,117** | **-** | **-** | **-** | **(1,321,318)** | **7,002,799** |

1. The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The time of vesting will be on or around June 2021. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. On 1 January 2020, Mr Xu Jiqing resigned as the Executive General Manager - Commercial and was redesignated from an Executive Director to a Non-executive Director of the Company. His interests in the 705,833 performance awards lapsed on the same day.
3. Performance awards lapsed due to cessation of employment.

During the year ended 31 December 2019, the movements of the 2018 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | BALANCES AT 1 JANUARY 2019 | GRANTED DURING THE YEAR | VESTED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR[2] | BALANCE AT 31 DECEMBER 2019 |
| **Directors** | | | | | | | |
| XU Jiqing | 29 June 2018 | 705,833 | - | - | - | - | 705,833 |
| **Employees of the Group** | 29 June 2018 | 8,566,723 | - | - | - | (948,439) | 7,618,284 |
| **Total** | | **9,272,556** | **-** | **-** | **-** | **(948,439)** | **8,324,117** |

1. The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The time of vesting will be on or around June 2021. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 29 June 2018 was approximately US$0.6572 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.34%; the expected volatility used in calculating the value of performance awards was 46.78% and the expected dividend was assumed to be nil.

During the year ended 31 December 2020, the Group recognised a share award expense of approximately US$0.2 million (2019: US$0.5 million) in relation to the 2018 Performance Awards.

### 2019 Performance Awards

On 3 May 2019, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2019 Performance Awards). There were 18,449,840 performance awards outstanding at 31 December 2020, representing approximately 0.23% of the total number of issued shares of the Company at that date.

During the year ended 31 December 2020, the movements of the 2019 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | BALANCES AT 1 JANUARY 2020 | GRANTED DURING THE YEAR | VESTED AND EXERCISED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR[2] | BALANCE AT 31 DECEMBER 2020 |
| **Directors** | | | | | | | |
| GAO Xiaoyu | 3 May 2019 | 5,604,754 | - | - | - | - | 5,604,754 |
| XU Jiqing | 3 May 2019 | 1,145,229 | - | - | - | (1,145,229) | - |
| **Employees of the Group** | 3 May 2019 | 14,449,696 | - | - | - | (1,604,610) | 12,845,086 |
| **Total** | | **21,199,679** | **-** | **-** | **-** | **(2,749,839)** | **18,449,840** |

1. The vesting and performance period of the performance awards is three years from 1 January 2019 to 31 December 2021. The time of vesting will be on or around June 2022. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

During the year ended 31 December 2019, the movements of the 2019 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| CATEGORY AND NAME OF PARTICIPANT | DATE OF GRANT[1] | BALANCES AT 1 JANUARY 2019 | GRANTED DURING THE YEAR | VESTED DURING THE YEAR | CANCELLED DURING THE YEAR | LAPSED DURING THE YEAR[2] | BALANCE AT 31 DECEMBER 2019 |
| **Directors** | | | | | | | |
| Gao Xiaoyu | 3 May 2019 | - | 5,604,754 | - | - | - | 5,604,754 |
| XU Jiqing | 3 May 2019 | - | 1,145,229 | - | - | - | 1,145,229 |
| **Employees of the Group** | 3 May 2019 | - | 15,444,192 | - | - | (994,496) | 14,449,696 |
| **Total** | | **-** | **22,194,175** | **-** | **-** | **(994,496)** | **21,199,679** |

1. The vesting and performance period of the performance awards is three years from 1 January 2019 to 31 December 2021. The time of vesting will be on or around June 2022. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 3 May 2019 was approximately US$0.3766 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 2.11%; the expected volatility used in calculating the value of performance awards was 63.75% and the expected dividend was assumed to be nil.

During the year ended 31 December 2020, the Group recognised a share award expense of approximately US$0.2 million (2019: US$2.3 million) in relation to the 2019 Performance Awards.

### 2020 Performance Awards

On 29 April 2020, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2020 Performance Awards). There were 69,570,455 performance awards outstanding at 31 December 2020, representing approximately 0.86% of the total number of issued shares of the Company at that date.

During the year ended 31 December 2020, the movements of the 2020 Performance Awards were as follows:

| | | NUMBER OF PERFORMANCE AWARDS | | | | | |
|---|---|---|---|---|---|---|---|
| **CATEGORY AND NAME OF PARTICIPANT** | **DATE OF GRANT[1]** | **BALANCES AT 1 JANUARY 2020** | **GRANTED DURING THE YEAR** | **VESTED AND EXERCISED DURING THE YEAR** | **CANCELLED DURING THE YEAR** | **LAPSED DURING THE YEAR[2]** | **BALANCE AT 31 DECEMBER 2020** |
| **Directors** | | | | | | | |
| Gao Xiaoyu | 29 April 2020 | - | 12,130,042 | - | - | - | 12,130,042 |
| **Employees of the Group** | 29 April 2020 | - | 59,489,005 | - | - | (2,048,592) | 57,440,413 |
| **Total** | | **-** | **71,619,047** | **-** | **-** | **(2,048,592)** | **69,570,455** |

1. The vesting and performance period of the performance awards is three years from 1 January 2020 to 31 December 2022. The time of vesting will be on or around June 2023. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant including, among others, achievement of resources growth, financial and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 29 April 2020 was approximately US$0.1462 each, estimated at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.80%; the expected volatility used in calculating the value of performance awards was 60.29% and the expected dividend was assumed to be nil.

During the year ended 31 December 2020, the Group recognised a share award expense of approximately US$0.9 million (2019: nil) in relation to the 2020 Performance Awards.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## 35. COMMITMENTS

### CAPITAL COMMITMENTS

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

| | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Property, plant and equipment** | | |
| Within one year | 121.5 | 168.5 |
| Over one year but not more than five years | 25.0 | 48.8 |
| | **146.5** | **217.3** |

| Aggregate | 2020 US$ MILLION | 2019 US$ MILLION |
|---|---|---|
| **Property, plant and equipment and intangible assets** | | |
| Contracted but not provided for | **146.5** | **217.3** |

## 36. CONTINGENT LIABILITIES

### BANK GUARANTEES

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

At 31 December 2020, these guarantees amounted to US$417.7 million (2019: US$373.4 million). The Group has a A$230.0 million guarantee (approximately US$176.7million) which increased during the year from A$200.0 million (approximately US$140.1 million), revolving bank guarantee facility with BOC Sydney ("BG Facility"), which is guaranteed by CMN. MMG has entered into a counter-indemnity agreement in favour of CMN for the maximum principal amount outstanding under the BG Facility.

Following the sale of Century mine in 2017, the Group has procured certain bank guarantees amounting to US$145.4 million (2019: US$135.7 million) for the benefit of New Century until 31 December 2023. New Century is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees. New Century must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In 2020, New Century sold its 49% interest in Lawn Hill and Riversleigh Pastoral Holding Company. In line with the Bank Guarantee Support Agreement in place with New Century, the bank guarantee has been reduced by US$3.7 million (A$4.8 million), representing 50% of the proceeds from such sale (Note 28).

### CONTINGENT LIABILITIES – TAX RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. The nature of the Group's activities requires it to comply with various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production-based taxes, environmental taxes and employment related taxes. Application of tax laws and interpretation of tax laws may require judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group's cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. Additionally, the Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru, Zambia and the DRC. No disclosure of an estimate of financial effect of the subject matter has been made in the consolidated financial statements as, in the opinion of the management, such disclosure may seriously prejudice the position of the Group in dealing with these matters.

Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The status of proceedings for such uncertain tax matters will impact the ability to determine the potential exposure, and in some cases, it may not be possible to determine a range of possible outcomes, including timing of resolution or determining a reliable estimate of the potential exposure.

**Peru – Withholding Taxes (2014/15)**

Included within such uncertain tax matters is an audit of the 2014 tax year for MLB in relation to withholding taxes on fees paid under certain loans, which were provided to MLB pursuant to facility agreements entered into among MLB and a consortium of Chinese banks in connection with the acquisition of the Las Bambas mine in 2014. MLB received an assessment notice (the "2014 Initial Assessment") in July 2020 from the Peruvian tax authority (National Superintendence of Tax Administration of Peru or "SUNAT"), which advised that, in its opinion, MLB and the Chinese banks are related parties and thus a 30% withholding tax rate ought to be imposed rather than the 4.99% applied. The 2014 Initial Assessment of omitted tax is PEN 60,687,851 (approximately US$17.3 million). The total 2014 Initial Assessment of omitted tax plus penalties and interest imposed by SUNAT is PEN 154,193,808 (approximately US$44.0 million).

On 10 December 2020, SUNAT issued assessments to MLB for December 2014 tax year (the "2014 Supplementary Assessment") in the amount of PEN 44,836,952 (approximately USD$13.0 million). This amount included interest until the estimate date of Peru Tax Court resolution, which is expected by June 2025. On 18 February 2021, MLB received assessment notices from SUNAT in connection with audits undertaken in respect of the 2015 tax year (the "2015 Assessment") in the amount of PEN 521,152,714 (approximately USD$149.0 million). The 2015 Assessment and 2014 Supplementary Assessment are based upon the same interpretation of the PITL by SUNAT as the 2014 Initial Assessment.

In relation to these assessments, having received external legal and tax advice, the Group has formed the view that the Company and its controlled entities are not related parties to Chinese banks under Peruvian tax law. MLB notes that the Peruvian tax law was amended to apply from October 2017 onwards to provide expressly that parties are not related by being under state ownership for the purposes of withholding taxes. MLB intends to appeal the assessments and not to pay the assessed amount to SUNAT pending resolution of the appeal. SUNAT could potentially bring a similar challenge regarding the rate of withholding tax applied by MLB in the 2016 tax years and the part of the 2017 tax year before the amendment to the Peruvian tax law. Where MLB is not successful in rebutting or appealing such challenge(s), this could result in significant additional tax liabilities.

**Peru – VAT refund claims (2011/12)**

Included as an uncertain tax matter is the decision from the Peru Tax Court in relation to SUNAT's audit of MLB's VAT refund claims in the 2011 and 2012 years. SUNAT conducted an audit of MLB's tax affairs of the 2011 and 2012 financial years and challenged certain VAT matters. SUNAT disallowed MLB's claim, despite MLB providing a substantial amount of documentary evidence to support its position during and after the audit, which MLB is of the opinion it is entitled to do, pursuant to Peruvian law. These matters were subsequently referred to the Peru Tax Court for further determination. The Peru Tax Court heard these matters on 15 August 2018, and informed MLB of its decision on 14 October 2020.

The Peru Tax Court upheld a majority of the assessment by SUNAT that US$187 million of VAT, penalties and interest has been correctly assessed in respect of the 2011 and 2012 financial years when the Las Bambas mine was under the ownership of Glencore plc. On 26 October 2020, SUNAT issued a new assessment. The Group is contesting the calculation of the new assessment. Following the tax court ruling on the amount, payment will be required.

MLB has appealed the judgment. Appeals in the Peruvian Judiciary System may take several years to resolve.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The assessed amount relates to the pre-closing period under the agreement signed with Glencore in 2014 which clarified MMG can pursue indemnity and warranty claims against Glencore due to the matters before 2014 ("Share Purchase Agreement") entered into with Glencore plc in respect of the acquisition of the Las Bambas mine, transacted by MMG with Glencore in 2014 ("Las Bambas Project") in July 2014 and, if any assessed amount were to become payable, MLB may seek reimbursement of some or all of the amount from Glencore plc by way of indemnity or warranty claims under that agreement.

The Group continues to proactively cooperate with the relevant taxation authorities and to actively manage these audits and reviews. Where appropriate, the Group has filed appeals with either the relevant tax authority or the tax court. For all such open tax matters that the Group presently has, any ultimate obligation would depend on future resolution of the matters and currently, a payment is either not probable or cannot be measured reliably. As such, no provision has been reflected in the consolidated financial statements for such tax matters.

### CONTINGENT LIABILITIES – OTHER CONTINGENCIES

Mining Company Katanga SARL ("MCK") filed a claim against MMG Kinsevere SARL ("MMG Kinsevere"), a subsidiary of the Group, to compensate MCK for losses suffered as a result of Kinsevere's decision to not renew or extend the mining services contract with its associate entity MCK Trucks (then known as NB Mining SA) in 2018 on the basis that MCK was entitled to a "life of mine" agreement with Kinsevere.

MCK is seeking an award of losses suffered and punitive damages. MMG Kinsevere and the Company regard the claim as unfounded and opportunistic, and the amount claimed as completely disproportionate to the losses that could reasonably have been suffered. The Group is vigorously contesting the claim. Court proceedings between MMG Kinsevere and MCK in the DRC are continuing. MCK obtained freezing orders in February 2020 over certain assets of Kinsevere, which have been partly enforced over US$15.0 million cash held in bank accounts in the DRC.

Considering the uncertainty around this matter and the fact that there is no present obligation for Kinsevere to make any payments, nor such payment being reliably estimated at this time, no provision has been recognised for this matter.

## 37. EVENTS AFTER THE END OF THE REPORTING PERIOD

Other than the matters outlined below, 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.

- As noted under contingent liabilities for tax, MLB received SUNAT's assessment notice for Peru - Withholding Taxes (2014/15) in connection with audits undertaken in respect of the 2015 tax year. MLB intends to appeal the assessments and not to pay the assessed amount to SUNAT pending resolution of the appeal.
- Subsequent to the reporting date, New Century announced an agreement for a reduction in the Estimated Rehabilitation Cost ("ERC") with the Queensland Government's Department of Environment and Science (DES) for A$14.1 million. Refer to Note 28. The Group currently holds a provision in respect of bank guarantee for the benefit of New Century, associated with the disposal of the Century Mine in 2017. In line with the reduction in the ECR, the bank guarantee liability is expected to reduce by approximately US$11.0 million during 2021.

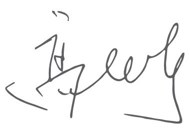
## 38. RE-CLASSIFICATION

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the presentation of the current period consolidated financial statements. These reclassifications had no effect on the previously reported total comprehensive loss for the year.

## 39. COMPANY STATEMENT OF FINANCIAL POSITION, RESERVES AND ACCUMULATED LOSSES

### (a) Company Statement of Financial Position

| | | AT 31 DECEMBER | |
|---|---|---|---|
| | NOTE | 2020 US$ MILLION | 2019 US$ MILLION |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Right-of-use assets | | - | 0.4 |
| Other receivables | | - | 0.2 |
| Interests in subsidiaries | | 2,487.4 | 2,485.9 |
| | | **2,487.4** | **2,486.5** |
| **Current assets** | | | |
| Other receivables | | 4.4 | 0.2 |
| Cash and cash equivalents | | 6.2 | 0.3 |
| | | **10.6** | **0.5** |
| **Total assets** | | **2,498.0** | **2,487.0** |
| **EQUITY** | | | |
| Share capital | | 2,917.6 | 2,912.2 |
| Reserves and accumulated losses | (b) | (1,376.7) | (1,346.1) |
| **Total equity** | | **1,540.9** | **1,566.1** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans from subsidiaries | | **952.0** | **920.1** |
| **Current liabilities** | | | |
| Lease liabilities | | - | 0.4 |
| Borrowings | | 5.0 | - |
| Other payables | | 0.1 | 0.4 |
| | | **5.1** | **0.8** |
| **Total liabilities** | | **957.1** | **920.9** |
| **Net current assets/(liabilities)** | | **5.5** | **(0.3)** |
| **Total equity and liabilities** | | **2,498.0** | **2,487.0** |



GAO XIAOYU

**CEO AND EXECUTIVE DIRECTOR**

XU JIQING

**NON-EXECUTIVE DIRECTOR**

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## (b) Company reserves and accumulated losses

| US$ MILLION | SPECIAL CAPITAL RESERVE | SHARE-BASED PAYMENT RESERVE | ACCUMULATED LOSSES | TOTAL |
|---|---|---|---|---|
| **At 1 January 2019** | **9.4** | **17.5** | **(1,090.3)** | **(1,063.4)** |
| Loss and total comprehensive loss for the year | - | - | (282.5) | **(282.5)** |
| Employee share options exercised and vested | - | (0.2) | - | **(0.2)** |
| Employee share options lapsed | - | (0.9) | 0.9 | **-** |
| **At 31 December 2019** | **9.4** | **16.4** | **(1,371.9)** | **(1,346.1)** |
| Loss and total comprehensive loss for the year | - | - | (25.9) | **(25.9)** |
| Employee long-term incentives | - | (0.5) | - | **(0.5)** |
| Employee share options exercised and vested | - | (4.2) | - | **(4.2)** |
| Employee share options lapsed | - | (2.1) | 2.1 | **-** |
| **At 31 December 2020** | **9.4** | **9.6** | **(1,395.7)** | **(1,376.7)** |

# FIVE-YEAR FINANCIAL SUMMARY

| US$ MILLION | 2020 | 2019[1] | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Results – the Group** | | | | | |
| Revenue | **3,033.7** | **3,011.6** | **3,670.2** | **3,751.3** | **2,488.8** |
| **EBITDA** | **1,379.7** | **1,461.5** | **1,751.2** | **2,090.8** | **949.2** |
| **EBIT** | **451.9** | **341.9** | **833.1** | **1,272.2** | **264.7** |
| Finance income | 1.9 | 11.2 | 6.8 | 6.0 | 3.3 |
| Finance costs | (401.4) | (523.1) | (533.7) | (537.6) | (316.3) |
| profit/(Loss) before income tax | 52.4 | (170.0) | 306.2 | 740.6 | (48.3) |
| Income tax expense | (46.8) | (25.3) | (169.6) | (394.5) | (50.4) |
| **profit/(Loss) for the year** | **5.6** | **(195.3)** | **136.6** | **346.1** | **(98.7)** |
| Attributable to: | | | | | |
| Equity holders of the Company | (64.7) | (230.4) | 68.3 | 147.1 | (152.7) |
| Non-controlling interests | 70.3 | 35.1 | 69.1 | 201.3 | 54.0 |
| | **5.6** | **(195.3)** | **137.4** | **348.4** | **(98.7)** |

1. The Group adopted the new *HKFRS 16 Leases* on 1 January 2019, as such the prior period information presented is not comparable.

A summary of the Group results that relate to current operations involving the exploration for, and development of mining projects, is presented below.

| US$ MILLION | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Results – current operations** | | | | | |
| EBIT | 451.9 | 341.9 | 833.1 | 1,272.2 | 264.7 |
| Significant non-recurring items | - | 150.0 | - | (178.6) | - |
| **Underlying EBIT[1]** | **451.9** | **491.9** | **833.1** | **1,093.6** | **264.7** |

1. Underlying EBIT represents EBIT adjusted for significant non-recurring items (before tax);

For 2019, the underlying loss attributable to equity holders of the Company excludes non-recurring item relating to the impairment of Kinsevere assets of US$105.0 million (post-tax) (Note 12); and

For 2017, the underlying gain attributable to equity holders of the Company excludes non-recurring item relating to the disposal of subsidiaries gain of US$9.7 million (post-tax).

# FIVE-YEAR FINANCIAL SUMMARY CONTINUED

| US$ MILLION | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Assets and liabilities – the Group** | | | | | |
| Property, plant and equipment | 10,075.9 | 10,394.2 | 10,897.7 | 11,982.1 | 12,084.3 |
| Right-of-use assets | 122.8 | 140.6 | - | - | - |
| Intangible assets | 546.5 | 567.5 | 596.0 | 622.3 | 620.6 |
| Inventories | 492.7 | 488.6 | 279.7 | 348.0 | 375.5 |
| Trade and other receivables | 601.4 | 571.9 | 644.4 | 506.6 | 915.7 |
| Loan to a related party | - | - | - | 120.0 | 95.0 |
| Cash and cash equivalents | 192.7 | 217.5 | 601.9 | 936.1 | 552.7 |
| Other financial assets | 1.7 | 3.1 | 3.3 | 17.8 | 12.7 |
| Derivative financial assets | - | - | - | 0.5 | 16.7 |
| Current income tax assets | 25.7 | 101.3 | 54.3 | 55.7 | 5.5 |
| Deferred income tax assets | 238.6 | 180.4 | 178.1 | 200.5 | 291.1 |
| Assets of disposal group classified as held for sale | - | - | - | - | 260.2 |
| **Total assets** | **12,298.0** | **12,665.1** | **13,255.4** | **14,789.6** | **15,230.0** |
| | | | | | |
| Capital and reserves attributable to equity holders of the Company | 936.4 | 1,012.2 | 1,257.1 | 1,211.4 | 1,030.5 |
| Non-controlling interests | 1,733.3 | 1,665.7 | 1,639.2 | 1,760.4 | 1,559.1 |
| **Total equity** | **2,669.7** | **2,677.9** | **2,896.3** | **2,971.8** | **2,589.6** |
| | | | | | |
| Borrowings | 7,179.5 | 7,628.3 | 8,131.4 | 9,192.5 | 10,253.2 |
| Lease liabilities | 148.7 | 160.8 | - | - | - |
| Trade and other payables | 582.4 | 591.3 | 508.1 | 730.1 | 652.6 |
| Derivative financial liabilities | 40.0 | - | - | - | - |
| Other financial liabilities | 145.4 | 135.7 | 136.6 | 160.3 | 5.8 |
| Current income tax liabilities | 22.7 | 2.4 | 18.8 | 15.2 | 3.1 |
| Provisions | 644.4 | 588.7 | 630.8 | 856.7 | 972.9 |
| Deferred income tax liabilities | 865.2 | 880.0 | 933.4 | 863.0 | 683.0 |
| Liabilities of disposal group classified as held for sale | - | - | - | - | 69.8 |
| **Total liabilities** | **9,628.3** | **9,987.2** | **10,359.1** | **11,817.8** | **12,640.4** |
| **Total equity and liabilities** | **12,298.0** | **12,665.1** | **13,255.4** | **14,789.6** | **15,230.0** |

# GLOSSARY

| | |
|---|---|
| AGM | annual general meeting of the Company |
| Album Enterprises | Album Enterprises Limited, a wholly owned subsidiary of CMN |
| associate(s) | 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 |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| China | has the same meaning as PRC |
| CITIC | CITIC Metal Peru Investment Limited |
| CMC | China Minmetals Corporation, a state-owned enterprise incorporated under the laws of the PRC |
| CMC Group | CMC and its subsidiaries |
| CMCL | China Minmetals Corporation Limited, a subsidiary of CMC |
| CMN | China Minmetals Non-ferrous Metals Company Limited, a subsidiary of CMC |
| CMNH | China Minmetals Non-ferrous Metals Holding Company Limited, a subsidiary of CMC |
| Companies Ordinance | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) |
| Company | MMG Limited, a company incorporated in Hong Kong, the securities of which are listed and traded on the Main Board of the Hong Kong Stock Exchange |
| Director(s) | the director(s) of the Company |
| DRC | Democratic Republic of the Congo |
| EBIT | earnings before interest (net finance costs) and income tax |
| EBITDA | earnings before interest (net finance costs), income tax, depreciation, amortisation and impairment expenses |
| EBITDA margin | EBITDA divided by revenue |
| Executive Committee | the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Executive Officer, Chief Financial Officer, Executive General Manager - Corporate Relations, Executive General Manager - Americas and Executive General Manager - Australia and Commercial |
| EXIM Bank | 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 |
| Group | the Company and its subsidiaries |
| HK$ | Hong Kong dollar, the lawful currency of Hong Kong |
| 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) |
| HNG | Hunan Nonferrous Metals Holding Group Co., Ltd., a subsidiary of CMC |
| Hong Kong | the Hong Kong Special Administrative Region of the People's Republic of China |
| Hong Kong Stock Exchange | (please refer to the definition of 'Stock Exchange') |
| ICBC | Industrial and Commercial Bank of China Limited |
| ICBC Luxembourg | Industrial and Commercial Bank of China Limited, Luxembourg Branch |
| ICBC Macau | Industrial and Commercial Bank of China Limited, Macau Branch |
| ICMM | International Council on Mining and Metals |
| JORC Code | Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' |
| Laos | the Lao People's Democratic Republic |

# GLOSSARY
CONTINUED

| | |
|---|---|
| Las Bambas Joint Venture Group | MMG South America Management Company Limited (also referred to as MMG SAM), and its subsidiaries |
| 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 |
| Mineral Resources | 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 Private Limited |
| Minmetals HK | China Minmetals H.K. (Holdings) Limited, an indirectly owned subsidiary of CMC |
| Minmetals Logistics | Minmetals Logistics Group Co., Ltd, a wholly owned subsidiary of CMC |
| Minmetals North-Europe | Minmetals North-Europe AB, a wholly owned subsidiary of CMC |
| MLB | Minera Las Bambas S.A., a non-wholly owned subsidiary of MMG and the owner of the Las Bambas mine |
| MMG or MMG Limited | has the same meaning as the Company |
| MMG Australia | MMG Australia Limited, a wholly owned subsidiary of the Company |
| MMG Dugald River | MMG Dugald River Pty Ltd, a wholly owned subsidiary of the Company |
| MMG Management | MMG Management Pty Ltd, a wholly owned subsidiary of the Company |
| MMG SA | MMG South America Company Limited, a wholly owned subsidiary of the Company |
| MMG SAM | MMG South America Management Company Limited, a non-wholly owned subsidiary of the Company |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules |
| New Century | New Century Resources Limited, a company listed on the Australian Securities Exchange |
| Ore Reserves | as defined under the JORC Code, the economically mineable part of a Measured and /or Indicated Mineral Resource |
| 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 on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules |
| SFO | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| Shareholder(s) | the shareholder(s) of the Company |
| SHEC | Safety, Health, Environment and Community |
| Stock Exchange | The Stock Exchange of Hong Kong Limited |
| Top Create | Top Create Resources Limited, 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 INFORMATION

## BOARD OF DIRECTORS

**Chairman**
GUO Wenqing
(Non-executive Director)

**Executive Director**
GAO Xiaoyu
(Chief Executive Officer)

**Non-executive Directors**
JIAO Jian
ZHANG Shuqiang
XU Jiqing

**Independent Non-executive Directors**
Peter CASSIDY
LEUNG Cheuk Yan
CHAN Ka Keung, Peter

## AUDIT AND RISK MANAGEMENT COMMITTEE

**Chairman**
CHAN Ka Keung, Peter

**Members**
ZHANG Shuqiang
XU Jiqing
Peter CASSIDY
LEUNG Cheuk Yan

## GOVERNANCE, REMUNERATION AND NOMINATION COMMITTEE

**Chairman**
Peter CASSIDY

**Members**
JIAO Jian
XU Jiqing
LEUNG Cheuk Yan
CHAN Ka Keung, Peter

## DISCLOSURE COMMITTEE

**Members**
GAO Xiaoyu
Ross CARROLL
Troy HEY
Nick MYERS
LEUNG Suet Kam, Lucia

## GENERAL COUNSEL

Nick MYERS

## COMPANY SECRETARY

LEUNG Suet Kam, Lucia

## LEGAL ADVISER

Linklaters, Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu
*Certified Public Accountants*

## SHARE REGISTRAR

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

## PRINCIPAL BANKERS

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

## INVESTOR AND MEDIA ENQUIRIES

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**E** investorrelations@mmg.com

Maggie QIN
Head of Corporate Affairs
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**E** corporateaffairs@mmg.com

## REGISTERED OFFICE

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## CORPORATE OFFICES AND PRINCIPAL PLACE OF BUSINESS

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## SHARE LISTING

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Stock Code: 1208

## ADDITIONAL SHAREHOLDER INFORMATION

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

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