

# 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)
<b>Production</b>			
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%)
<b>Payable metal in product sold</b>			
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)
<b>Revenue</b>	<b>2,078.6</b>	<b>2,013.0</b>	<b>3%</b>
<b>Operating expenses</b>			
<b>Production expenses</b>			
Mining	(211.8)	(296.1)	28%
Processing	(216.1)	(243.5)	11%
Other	(323.5)	(335.2)	3%
<b>Total production expenses</b>	<b>(751.4)</b>	<b>(874.8)</b>	<b>14%</b>
Freight (transportation)	(69.0)	(63.0)	(10%)
Royalties	(62.6)	(58.1)	(8%)
Other <sup>(i)</sup>	10.7	170.1	(94%)
<b>Total operating expenses</b>	<b>(872.3)</b>	<b>(825.8)</b>	<b>(6%)</b>
Other (expenses)/income <sup>(ii)</sup>	(10.0)	34.1	(129%)
<b>EBITDA</b>	<b>1,196.3</b>	<b>1,221.3</b>	<b>(2%)</b>
Depreciation and amortisation expenses	(695.5)	(697.2)	0%
<b>EBIT</b>	<b>500.8</b>	<b>524.1</b>	<b>(4%)</b>
<b>EBITDA margin</b>	<b>58%</b>	<b>61%</b>	

(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.