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MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(STOCK CODE: 1208)

ANNOUNCEMENT ON ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (Board) of MMG Limited (Company) is pleased to announce the consolidated results of the Company and its subsidiaries (Group) for the year ended 31 December 2020.

The financial information set out in this announcement does not constitute the Group's complete set of the consolidated financial statements for the year ended 31 December 2020 but represents an extract from those consolidated financial statements.

The financial information has been reviewed by the Company's Audit and Risk Management Committee and the Company's auditor.

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

MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

KEY POINTS

- Total recordable injury frequency (TRIF) of 1.38 per million hours worked for 2020, representing a 13% decrease on the 2019 TRIF of 1.58.
- Net Cash Flow from Operating Activities increased by 19%, to US$1,358.2 million, supporting a reduction in borrowings of US$453.3 million.
- Effective management of COVID-19 risks and improved operational and financial performance in the second half, resulting in a US$93.3 million profit attributable to equity holders in the six months to 31 December 2020 and a full year loss attributable to equity holders of US$64.7 million, a 72% improvement on 2019.
- Full year financial performance was impacted by lower zinc prices and the effects of COVID-19 and community disruptions on sales volumes at Las Bambas. This was offset by improved output at Kinsevere, strong operational performance at Dugald River, higher copper and precious metal prices and lower financing costs.
- Las Bambas produced 311,020 tonnes of copper in concentrate in 2020. COVID-19 related impacts on workforce availability and unplanned site maintenance were the largest drivers of an estimated 70,000 tonnes production shortfall. COVID-19 and community road blocks also impacted sales throughout 2020, with a significant year-end balance of finished goods remaining stockpiled at site. Despite the challenges of 2020, higher copper prices, increased molybdenum sales and lower cash production expenses assisted in achieving an EBITDA of US$1,196.3 million, 2% below 2019 Las Bambas EBITDA.
- A 6% increase in copper production at Kinsevere and higher copper prices supported an EBITDA of US$68.3 million, 143% higher than 2019. Improved ore quality and lower waste movement following a shift to the Central pit contributed to higher volumes while at the same time lowering production costs.
- Records were set at Dugald River in 2020 for both zinc and lead production which increased by 4% and 3% respectively. Work to improve mine production and optimise mill performance leaves the site well positioned to deliver further production growth in 2021 and beyond. Higher volumes in 2020 assisted in offsetting the impact of lower zinc prices. Full year EBITDA of US$100.0 million was also impacted by high zinc treatment charges, which are expected to reduce significantly in 2021.
- Significant precious metal by-products and higher gold and silver prices supported a 3% increase in EBITDA for Rosebery. This was achieved despite declining zinc ore grades at depth and lower zinc and lead prices and constraints on mine access for much of the year, demonstrating the Company's ability to effectively operate and maximise output from Rosebery in its 85th year of continuous operation.
- Total capital expenditure for 2020 was US$516.6 million. This was below initial guidance, reflecting the impact of COVID-19 on the progress of key capital projects at Las Bambas. Much of this expenditure will now fall into 2021. Total capital expenditure for 2021 is expected to be between US$750.0 and US$800.0 million, inclusive of capitalised mining. This includes the development of the Chalcobamba pit, third ball mill construction and tailings dam works.
- The Board does not recommend the payment of a dividend for the year.

MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

- MMG expects to produce between 360,000 and 390,000 tonnes of copper and 240,000 and 260,000 tonnes of zinc in 2021, with Las Bambas' annual copper production anticipated to increase to an average of 400,000 tonnes over the period 2022 to 2025.
- Anticipated approval of the next phase of development at Kinsevere, the potential for mine life extension at Rosebery, expected strong medium-term performance for Las Bambas and Dugald River and favourable commodity price trends present a positive outlook for the Company.

MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 CONTINUED

YEAR ENDED 31 DECEMBER	2020 US$ MILLION	2019 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	3,033.7	3,011.6	1%
EBITDA	1,379.7	1,461.5	(6%)
EBIT (underlying)	451.9	491.9	(8%)
Profit/(loss) for the year (underlying)	**5.6**	**(90.3)**	**106%**
Impairment expense – net of income tax benefit	-	(105.0)	-
Profit/(loss) for the year after income tax	**5.6**	**(195.3)**	**103%**
EBITDA margin	45%	48%	
Net cash generated from operating activities	1,358.2	1,145.1	19%
Dividend per share	-	-	
Basic loss per share	US (0.80) cents	US (2.86) cents	
Diluted loss per share	US (0.80) cents	US (2.86) cents	

CHAIRMAN'S REVIEW

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.

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.

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 medium to long term.

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.

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 continue to work to overcome the COVID-19 pandemic, life will continue to 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 and make 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

CHIEF EXECUTIVE OFFICER'S REPORT

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 COVOD-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 process and ensuring that procedures are optimised to ensure 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

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'.

YEAR ENDED 31 DECEMBER	REVENUE 2020 US$ MILLION	REVENUE 2019 US$ MILLION	REVENUE CHANGE % FAV/(UNFAV)	EBITDA 2020 US$ MILLION	EBITDA 2019 US$ MILLION	EBITDA 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).

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%

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

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.

MINES 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.

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.

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.

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	(4.0)	(2.8)	(43%)
Total operating expenses	**(227.1)**	**(227.8)**	**0%**
Other income	(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.

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 of 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 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.

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	28,621	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	(6.4)	0.9	(811%)
Total operating expenses	**(149.9)**	**(146.9)**	**(2%)**
Other income	(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.

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

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.

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.

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.

(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		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
			Hedging instrument US$ million	Hedged item 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:

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	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[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:

US$ MILLION	2020				2019			
	+100 basis points		-100 basis points		+100 basis points		-100 basis points	
	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 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**

(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 it's 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.

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.

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.

OTHER INFORMATION

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 20 May 2021 (AGM). The notice of the AGM will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 May 2021 to Thursday, 20 May 2021, inclusive, during which period no transfer of shares will be registered.

In order to qualify for attending and voting at the AGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Friday, 14 May 2021.

The record date for determining Shareholders' eligibility to attend and vote at the AGM will be on Friday, 14 May 2021.

CORPORATE GOVERNANCE

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

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, except for the following deviations:

1. Code provision A.4.1 requires that Non-executive Directors should be appointed for a specific term and subject to re-election. Each of the Non-executive Directors entered into 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 annual general meeting (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 annual general meeting. 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 annual general meeting. Since Dr Cassidy has been appointed, he has been re-elected by the Shareholders at the annual general meetings held in 2011, 2013, 2016 and 2019.

2. Code provision E.1.2 requires the Chairman of the Board to attend and answer questions at the annual general meeting. Mr Guo Wenqing, the Chairman of the Board, was not available for the Company's annual general meeting 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (Model Code).

Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code and the Securities Trading Model Code during the year ended 31 December 2020.

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 Audit and Risk Management Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020.

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.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is also published on the website of the Company (www.mmg.com). The Company's 2020 Annual Report will be despatched to Shareholders and made available on the websites of the Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company in due course.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 as set out in the announcement on annual results for year ended 31 December 2020 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement on annual results for year ended 31 December 2020.

FINANCIAL INFORMATION OF THE GROUP

The financial information relating to the year ended 31 December 2020 and 2019 included in this preliminary announcement of annual results for 2020 does not constitute the Company's statutory consolidated financial statements for those years but is derived from those financial statements.

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

1. The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies in due course.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		YEAR ENDED 31 DECEMBER	
	NOTES	2020 US$ MILLION	2019 US$ MILLION
Revenue	3	3,033.7	3,011.6
Other income	4	12.2	14.0
Expenses (excluding depreciation and amortisation)	5	(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	5	(927.8)	(969.6)
Impairment expense		-	(150.0)
Earnings before interest and income tax – EBIT		**451.9**	**341.9**
Finance income	6	1.9	11.2
Finance costs	6	(401.4)	(523.1)
Profit/(loss) before income tax		**52.4**	**(170.0)**
Income tax expense	7	(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	8	US (0.80) cents	US (2.86) cents
Diluted loss per share	8	US (0.80) cents	US (2.86) cents

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)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	AT 31 DECEMBER 2020 US$ MILLION	2019 US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment		10,075.9	10,394.2
Right-of-use assets		122.8	140.6
Intangible assets		546.5	567.5
Inventories		76.2	106.4
Deferred income tax assets		238.6	180.4
Other receivables	11	78.6	210.3
Other financial assets		1.7	3.1
Total non-current assets		**11,140.3**	**11,602.5**
Current assets			
Inventories		416.5	382.2
Trade and other receivables	11	522.8	361.6
Current income tax assets		25.7	101.3
Cash and cash equivalents	12	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	13	2,917.6	2,912.2
Reserves and accumulated losses		(1,981.2)	(1,900.0)
		936.4	**1,012.2**
Non-controlling interests		1,733.3	1,665.7
Total equity		**2,669.7**	**2,677.9**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

		AT 31 DECEMBER	
	NOTES	2020 US$ MILLION	2019 US$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	14	6,306.7	6,853.7
Lease liabilities		128.5	138.3
Provisions		546.5	471.3
Derivative financial liabilities		10.7	-
Other financial liabilities		145.4	135.7
Trade and other payables	15	112.2	-
Deferred income tax liabilities		865.2	880.0
Total non-current liabilities		**8,115.2**	**8,479.0**
Current liabilities			
Borrowings	14	872.8	774.6
Lease liabilities		20.2	22.5
Provisions		97.9	117.4
Derivative financial liabilities		29.3	-
Trade and other payables	15	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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$ MILLION	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	SHARE CAPITAL	TOTAL RESERVES	ACCUMULATED LOSSES	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	(Note 13)					
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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

US$ MILLION	SHARE CAPITAL	TOTAL RESERVES	RETAINED PROFITS (ACCUMU LATED LOSSES)	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	(Note 13)					
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**

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		**1,358.2**	**1,145.1**
Cash flows from investing activities			
Purchase of property, plant and equipment		(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		525.7	225.0
Repayments of external borrowings		(1,209.0)	(636.4)
Proceeds from related party borrowing		650.0	-
Repayments of related party borrowing		(420.0)	(100.0)
Proceeds from shares issued upon exercise of employee share options		1.2	1.2
Repayment of lease liabilities		(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	12	**192.7**	**217.5**

NOTES TO FINANCIAL INFORMATION

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 consistent with those of the consolidated financial statements for the year ended 31 December 2019.

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.

(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 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

3. SEGMENT INFORMATION

HKFRS 8 "*Operating Segments*" requires operating segments to be identified on the basis of internal reports about operations of the Group that are regularly reviewed by the chief operating decision-maker ("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.

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 5)	(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 6)						1.9
Finance costs (Note 6)						(401.4)
Income tax expense (underlying) (Note 7)						(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 realized losses and unrealized 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 Group treasury entities.

2. Commodity hedge realized losses with an amount of US$6.8 million (2019: nil) were included in "Revenue".

NOTES TO FINANCIAL INFORMATION CONTINUED

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 FINANCIAL INFORMATION 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 5)	(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 6)						**11.2**
Finance costs (Note 6)						**(523.1)**
Income tax expense (underlying)						**(70.3)**
Loss for the year (underlying)						**(90.3)**
Impairment of Kinsevere assets	**-**	(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$357.5 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.

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.

4. 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.

5. 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). 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.
4. Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

NOTES TO FINANCIAL INFORMATION CONTINUED

6. 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	(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	(12.9)	(15.7)
Other finance cost on external borrowings	(2.0)	(6.0)
Other finance cost on related party borrowings	(1.1)	(4.8)
Finance costs – total	**(401.4)**	**(523.1)**

7. 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)**

8. 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**

9. DIVIDENDS

The Directors did not recommend the payment of an interim or final dividend for the year ended 31 December 2020 (2019: nil).

10. 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.

(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.

11. 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]	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.
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$103.5 million) which were due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US$.

12. 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]	**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**

13. 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;

   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;

14. BORROWINGS

	2020 US$ MILLION	2019 US$ MILLION
Non-current		
Loan from a related party	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	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	**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).

15. 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	42.9	41.5
Other payables and accruals[2]	270.4	239.8
Total trade and other payables	**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), 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.

16. 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**

GLOSSARY

AGM	annual general meeting of the Company to be held on Thursday 20 May 2021
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
Group	the Company and its subsidiaries
HK$	Hong Kong dollar, the lawful currency of Hong Kong

GLOSSARY

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)
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
JORC Code	Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'
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 Hong Kong Stock Exchange
LME	London Metal Exchange
LOA	Life of Asset
Mineral Resource	as defined under the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
Minerals and Metals Group	the collective brand name of the portfolio of international mining assets held by Album Resources Private Limited, a wholly owned subsidiary of the Company
Minmetals HK	China Minmetals H.K. (Holdings) Limited, an indirectly 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 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 Stock Exchange

GLOSSARY

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
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
US$	United States dollar, the lawful currency of the United States of America
VAT	value added tax

CORPORATE DETAILS

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17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

MMG LIMITED
EXECUTIVE COMMITTEE
GAO Xiaoyu, Chief Executive Officer and Executive Director
Ross CARROLL, Chief Financial Officer
LI Liangang, Executive General Manager – Australia and Commercial
Troy HEY, Executive General Manager – Corporate Relations
WEI Jianxian, Executive General Manager – Americas

IMPORTANT DATES**
22 April 2021 – First Quarter Production Report
19 April 2021 – Annual Report lodged
20 May 2021 – Annual General Meeting
***This information is subject to change.*

MMG will present its financial results to investors via webinar and teleconference at 11.30am (HKT) on 4 March 2021. For details please contact Investor Relations.

INVESTOR AND MEDIA ENQUIRIES
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By order of the Board
MMG Limited
GAO Xiaoyu
CEO and Executive Director

Hong Kong, 3 March 2021

As at the date of this announcement, the Board consists of eight directors, of which one is an executive director, namely Mr Gao Xiaoyu; four are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Jiao Jian, Mr Zhang Shuqiang and Mr Xu Jiqing; and three are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan and Mr Chan Ka Keung, Peter.