FIRST QUANTUM
MINERALS LTD.

Consolidated Financial Statements

December 31, 2020

(In U.S. dollars, tabular amounts in millions, except where indicated)

Management's Responsibility for Financial Reporting

The consolidated financial statements of First Quantum Minerals Ltd. and the information contained in the annual report has been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments based on currently available information.

Management has developed and is maintaining a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is reliable.

The Company's independent auditors, PricewaterhouseCoopers LLP, who are appointed by the shareholders, conduct an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the consolidated financial statements and related financial reporting matters prior to approval of the consolidated financial statements.

Signed by

Philip K.R. Pascall
Chairman and Chief Executive Officer

Signed by

Hannes Meyer
Chief Financial Officer

February 16, 2021

Independent auditor's report

To the Shareholders of First Quantum Minerals Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of First Quantum Minerals Ltd. and its subsidiaries (together, the Company) as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of earnings (loss) for the year ended December 31, 2020;
- the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020;
- the consolidated balance sheet as at December 31, 2020;
- the consolidated statement of cash flows for the year ended December 31, 2020;
- the consolidated statement of changes in equity for the year ended December 31, 2020; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment *Refer to note 2 – Significant accounting policies, note 3 – Significant judgments, estimates and assumptions and note 7 – Goodwill to the consolidated financial statements* Goodwill arising on business combinations is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment at the same time every year. Goodwill of $237 million was assigned to the Cobre Panama cash-generating unit (CGU). The annual impairment test has been performed as of December 31, 2020. For the purposes of the goodwill impairment test, the recoverable amount of Cobre Panama CGU has been determined by management using a fair value less costs of disposal calculation based on a discounted cash flow model over a period of 34 years, taking account of assumptions that would be made by market participants. The future cash flows used in this model are inherently uncertain and could materially change over time as a result of changes to the following key assumptions which included; ore reserves and resources estimates, commodity prices, discount rate, future production costs and future capital expenditure. Ore reserves and resources are estimated based on the National Instrument 43-101 compliant report produced by	Our approach to addressing the matter included the following procedures, among others: • Evaluated how management determined the recoverable amount of the Cobre Panama CGU, which included the following: – Tested the appropriateness of the fair value less costs of disposal calculation and the mathematical accuracy of the discounted cash flow model. – Tested the underlying data used in the discounted cash flow model. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the assumptions associated with the ore reserves and resources estimates. As a basis for using this work, management's experts' competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions, methods and findings. The procedures performed also included tests of relevant data used by management's experts. – Evaluated the reasonableness of key assumptions by (i) comparing commodity prices with external market and industry

Key audit matter	How our audit addressed the key audit matter
qualified persons (management's experts). We considered this a key audit matter due to the subjectivity and complexity in applying audit procedures to test the key assumptions used by management in determining the recoverable amount of the Cobre Panama CGU, which involved significant judgment from management. Professionals with specialized skill and knowledge in the field of valuation assisted in performing certain procedures.	data; and (ii) comparing future production costs and future capital expenditure against current and past performance of the Cobre Panama CGU. – Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rate. – Tested the disclosures made in the consolidated financial statements.
Assessment of impairment indicators for property, plant and equipment *Refer to note 2 – significant accounting policies, note 3 – Significant judgements, estimates and assumptions and note 6 – Property, plant and equipment to the consolidated financial statements* The Company's property, plant and equipment (PP&E) carrying value was $19,468 million as of December 31, 2020 covering multiple cash-generating units (CGUs) of the Company. Management applies significant judgement in assessing CGUs and assets for the existence of indicators of impairment at the reporting date that would necessitate impairment testing. Internal and external factors are considered in assessing whether indicators of impairment are present that would necessitate impairment testing. Factors regarding commodity prices, production, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment.	Our approach to addressing the matter included the following procedures, among others: • Evaluated management's assessment of indicators of impairment, which included the following: – Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E, by considering evidence obtained in other areas of the audit. – Assessed changes in commodity prices and discount rates, by comparing to external market and industry data and changes in production, operating costs and capital expenditures by considering the current and past performance of the CGUs and evidence obtained in other areas of the audit, as applicable.

Key audit matter	How our audit addressed the key audit matter
We considered this a key audit matter due to the significance of the PP&E and subjectivity in applying procedures to evaluate audit evidence relating to the significant judgments made by management in its assessment of indicators of impairment.	

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on February 13, 2020.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is James Lusby.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 16, 2021

First Quantum Minerals Ltd.

Consolidated Statements of Earnings (Loss)

(expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

	Note	2020	2019
Sales revenues	17	5,199	4,067
Cost of sales	18	(4,122)	(3,277)
Gross profit		1,077	790
Exploration		(15)	(19)
General and administrative		(99)	(82)
Impairments and related charges	20	-	(101)
Other expense	22	(268)	(114)
Operating profit		695	474
Finance income		66	37
Finance costs	21	(804)	(285)
Adjustment for expected phasing of Zambian VAT	4c	80	(182)
Loss on redemption of senior notes	10	(5)	(25)
Earnings before income taxes		32	19
Income tax expense	13	(256)	(70)
Net loss		(224)	(51)
Net loss attributable to:			
Non-controlling interests		(44)	6
Shareholders of the Company	15	(180)	(57)
Loss per common share attributable to the shareholders of the Company			
Net loss ($ per share)			
Basic	15	(0.26)	(0.08)
Diluted	15	(0.26)	(0.08)
Weighted average shares outstanding (000's)			
Basic	15	688,469	687,596
Diluted	15	688,469	687,596
Total shares issued and outstanding (000's)	14a	690,317	689,401

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

First Quantum Minerals Ltd.

Consolidated Statements of Comprehensive Income (Loss)

(expressed in millions of U.S. dollars)

	Note	2020	2019
Net loss		(224)	(51)
Other comprehensive income (loss)			
Items that have been/may subsequently be reclassified to net earnings (loss):			
Cash flow hedges reclassified to net loss		(8)	(27)
Gains (losses) on cash flow hedges arising during the year	24	(401)	8
Items that will not subsequently be reclassified to net earnings (loss):			
Unrealized gain (loss) on investments	8	(1)	1
Total comprehensive loss for the year		(634)	(69)
Total comprehensive income (loss) for the year attributable to:			
Non-controlling interests		(44)	6
Shareholders of the Company		(590)	(75)
Total comprehensive loss for the year		(634)	(69)

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

First Quantum Minerals Ltd.

Consolidated Statements of Cash Flows

(expressed in millions of U.S. dollars)

	Note	2020	2019
Cash flows from operating activities			
Net loss		(224)	(51)
Adjustments for			
Depreciation	18,19	1,217	907
Income tax expense	13	256	70
Share-based compensation expense	16	31	23
Impairment and related charges	20	-	101
Net finance expense		738	248
Adjustment for expected phasing of Zambian VAT	4c	(80)	182
Unrealized foreign exchange loss		180	89
Loss on redemption of senior notes	10	5	25
Deferred revenue amortization	12	(56)	(38)
Share of loss in joint venture	9,22	45	11
Other		17	28
		2,129	1,595
Taxes paid		(313)	(251)
Movements in non-cash working capital			
Increase in trade and other receivables		(227)	(404)
Increase in inventories		(2)	(146)
Increase in trade and other payables		43	97
Long term incentive plans		(17)	(2)
Net cash from operating activities		1,613	889
Cash flows used by investing activities			
Purchase and deposits on property, plant and equipment	6,23	(610)	(1,455)
Acquisition of Korea Panama Mining Corp (“KPMC”)	9	(100)	(100)
Interest paid and capitalized to property, plant and equipment	6	-	(388)
Other		37	23
Net cash used by investing activities		(673)	(1,920)
Cash flows from (used by) financing activities			
Net movement in trading facility		49	157
Movement in restricted cash		(11)	51
Proceeds from debt		4,017	3,045
Repayments of debt		(3,963)	(2,319)
Early redemption costs on senior notes	10	-	(14)
Proceeds from joint venture (KPMC shareholder loan)	9,11b	28	159
Interest paid to joint venture (KPMC shareholder loan)	9,11b	(54)	-
Payments to joint venture (KPMC)	9,11b	(14)	(102)
Dividends paid to shareholders of the Company		(5)	(5)
Dividends paid to non-controlling interest		(2)	(9)
Interest paid		(574)	(181)
Other		(14)	(16)
Net cash from (used by) financing activities		(543)	766
Increase (decrease) in cash and cash equivalents and bank overdrafts		397	(265)
Cash and cash equivalents and bank overdrafts – beginning of year		523	788
Exchange losses on cash and cash equivalents		(6)	-
Cash and cash equivalents and bank overdrafts – end of year		914	523
Cash and cash equivalents and bank overdrafts comprising:			
Cash and cash equivalents		950	1,138
Bank overdrafts		(36)	(615)

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

First Quantum Minerals Ltd.
Consolidated Balance Sheets

(expressed in millions of U.S. dollars)

	Note	December 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		950	1,138
Trade and other receivables	4	737	512
Inventories	5	1,333	1,367
Current portion of other assets	8	88	135
		3,108	3,152
Non-current assets			
Cash and cash equivalents - restricted cash		40	27
Non-current VAT receivable	4b	349	396
Property, plant and equipment	6	19,468	19,972
Goodwill	7	237	237
Investment in joint venture	9	544	589
Deferred income tax assets	13	152	93
Other assets	8	338	281
Total assets		**24,236**	**24,747**
Liabilities			
Current liabilities			
Bank overdraft		36	615
Trade and other payables		762	737
Current taxes payable		164	141
Current debt	10	871	838
Current portion of provisions and other liabilities	11	602	192
		2,435	2,523
Non-current liabilities			
Debt	10	7,452	7,360
Provisions and other liabilities	11	2,286	2,172
Deferred revenue	12	1,433	1,421
Deferred income tax liabilities	13	595	609
Total liabilities		**14,201**	**14,085**
Equity			
Share capital	14	5,629	5,615
Retained earnings		3,695	3,880
Accumulated other comprehensive loss		(455)	(45)
Total equity attributable to shareholders of the Company		8,869	9,450
Non-controlling interests		1,166	1,212
Total equity		**10,035**	**10,662**
Total liabilities and equity		**24,236**	**24,747**

Approved by the Board of Directors and authorized for issue on February 16, 2021.

Signed by

Simon Scott, Director

Signed by

Robert Harding, Director

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

First Quantum Minerals Ltd.

Consolidated Statements of Changes in Equity

(expressed in millions of U.S. dollars)

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total equity attributable to shareholders of the Company	Non-controlling interests	Total Equity
Balance at December 31, 2019	5,615	3,880	(45)	9,450	1,212	10,662
Net loss	-	(180)	-	(180)	(44)	(224)
Other comprehensive loss	-	-	(410)	(410)	-	(410)
Total comprehensive loss	-	(180)	(410)	(590)	(44)	(634)
Share-based compensation expense	31	-	-	31	-	31
Acquisition of treasury shares	(23)	-	-	(23)	-	(23)
Net cash from share awards	6	-	-	6	-	6
Dividends	-	(5)	-	(5)	(2)	(7)
Balance at December 31, 2020	5,629	3,695	(455)	8,869	1,166	10,035

	Share capital	Retained earnings	Accumulated other comprehensive loss	Total equity attributable to shareholders of the Company	Non-controlling interests	Total Equity
Balance at December 31, 2018	5,592	3,942	(27)	9,507	1,215	10,722
Net earnings (loss)	-	(57)	-	(57)	6	(51)
Other comprehensive income (loss)	-	-	(18)	(18)	-	(18)
Total comprehensive income (loss)	-	(57)	(18)	(75)	6	(69)
Share-based compensation expense[1]	23	-	-	23	-	23
Dividends	-	(5)	-	(5)	(9)	(14)
Balance at December 31, 2019	5,615	3,880	(45)	9,450	1,212	10,662

[1] Net of capitalized amounts

(expressed in millions of U.S. dollars, except where indicated and share and per share amounts)

1 Nature of operations

First Quantum Minerals Ltd. ("First Quantum" or "the Company") is engaged in the production of copper, nickel, gold, silver, zinc and acid, and related activities including exploration and development. The Company has operating mines located in Zambia, Panama, Finland, Turkey, Spain, Australia and Mauritania. The Company is progressing the Taca Taca copper-gold-molybdenum project in Argentina and is exploring the Haquira copper deposit in Peru.

The Company's shares are publicly listed for trading on the Toronto Stock Exchange and has Depository Receipts listed on the Lusaka Stock Exchange.

The Company is registered and domiciled in Canada, and its registered office is Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, BC, Canada, V7X 1L3.

2 Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

a) Basis of presentation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the IFRS Interpretations Committee ("IFRICs").

These consolidated financial statements have been prepared under the historical cost convention, with the exception of derivative assets and liabilities and investments which are measured at fair value.

These consolidated financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, twelve months from December 31, 2020.

Following the declaration on March 11, 2020, of a pandemic by the World Health Organisation, the restrictions imposed by governments around the world has had a significant impact on the global economy and commodity prices, which have impacted the Company. Expected credit losses on financial assets remain immaterial at December 31, 2020. Commodity price risk continues to be managed through the Company's hedging program (see note 24).

On July 3, 2020, the Company received notice from the Panama Ministry of Health of the lifting of the previously imposed temporary suspension of labour activities, which resulted in the operation being placed on preservation and safe maintenance in early April. The operation reached full production on the three SAG mill trains on August 8, 2020.

All of the Company's other mines continue to operate. The Company has not experienced any significant disruption to supply chains and product shipments since the onset of the COVID-19 pandemic. The Company is working to manage the logistical challenges presented by the closure of trade borders, using alternative routes where feasible. Border restrictions, if ongoing, could result in supply chain delays.

On April 22, 2020, the Company announced the amendment of financial covenants under the senior Term Loan and RCF in response to uncertainty related to COVID-19. The Net Debt to EBITDA ratio was increased and the Debt Service Cover Ratio was decreased, for the remainder of 2020 and 2021.

At December 31, 2020, the Company had $600 million of committed undrawn senior debt facilities and $914 million of net unrestricted cash (inclusive of overdrafts), as well as future cash flows in order to meet all current obligations as they become due. The Company was in compliance with all existing facility covenants as at December 31, 2020.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its "subsidiaries"). Control is achieved where the Company has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of earnings from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The principal operating subsidiaries are Kansanshi Mining Plc ("Kansanshi"), Minera Panama S.A. ("MPSA" or "Cobre Panama"), Kalumbila Minerals Limited ("Sentinel"), First Quantum Mining and Operations Limited ("FQMO"), Mauritanian Copper Mines SARL

("Guelb Moghrein"), FQM Australia Nickel Pty Limited ("Ravensthorpe"), Cobre Las Cruces S.A. ("Las Cruces"), Çayeli Bakir Isletmeleri A.S. ("Çayeli"), Pyhäsalmi Mine Oy ("Pyhäsalmi") and Metal Corp Trading AG ("Metal Corp"). The exploration subsidiaries include Minera Antares Peru S.A.C. ("Haquira") as well as the subsidiary, Corriente Argentina S.A. ("Taca Taca") which relates to the Taca Taca project. All the above operating subsidiaries are 100% owned, with the exception of Kansanshi (80%) and Cobre Panama, in which the Company holds a 90% interest, 10% of which is held indirectly through the joint venture, Korea Panama Mining Corp ("KPMC"), a jointly controlled Canadian entity acquired in November 2017.

Non-controlling interests

At December 31, 2020, ZCCM Investments Holdings Plc ("ZCCM", a Zambian government controlled entity) owned 20% of Kansanshi and KPMC owned 20% of Cobre Panama. A non-controlling interest is held by African Energy Resources Ltd, a publicly listed entity, in the Company's consolidated subsidiary, African Energy Holdings SRL.

Through the operations in Zambia and Panama, there are a number of transactions with the respective governments in the ordinary course of business, including taxes, royalties, utilities and power. The Company is limited in its ability to use the assets of Kansanshi and Cobre Panama as a result of the agreement with the other owners of these subsidiaries.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

c) Accounting policies

Foreign currency translation

The presentation currency and the functional currency of the Company and all of the Company's operations is the USD. The Company's foreign currency transactions are translated into USD at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities are translated using period end exchange rates with any gains and losses included in the determination of net earnings. Non-monetary assets and liabilities are translated using historical rates.

Inventories

Product inventories comprise ore in stockpiles, work-in-progress and finished goods. Product inventories are recorded at the lower of average cost and net realizable value. Cost includes materials, direct labour, other direct costs and production overheads and depreciation of plant, equipment and mineral properties directly involved in the mining and production processes. Costs are determined primarily on the basis of average costs for ore in stockpiles and on a first-in first-out basis for work-in-progress and finished goods.

Waste material stripping costs related to production at, or below, the life-of-phase strip ratio are inventoried as incurred, with the excess capitalized to mineral property and depreciated in future periods.

When inventories have been written down to net realizable value, a new assessment of net realizable value is made at each subsequent reporting date that the inventory is still held.

Consumable stores are valued at the lower of purchase cost and net realizable value and recorded as a current asset.

Property, plant and equipment

(i) Mineral properties and mine development costs

Exploration and evaluation costs are expensed in the period incurred. Property acquisition costs and amounts paid under development option agreements are capitalized. Development costs relating to specific properties are capitalized once management determines a property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalization of costs incurred and proceeds received during the development phase ceases when the property is capable of operating at levels intended by management.

Property acquisition and mine development costs, including costs incurred during the production phase to increase future output by providing access to additional reserves (deferred stripping costs), are deferred and depreciated on a units-of-production basis over the component of the reserves to which they relate.

ii) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Costs recorded for assets under construction include all expenditures incurred in connection with the development and construction of the assets. No depreciation is recorded until the assets are substantially complete and ready for productive use. Where relevant, the Company has estimated residual values on certain plant and equipment.

Property, plant and equipment are depreciated using either the straight-line or units-of-production basis over the shorter of the estimated useful life of the asset or the life of mine. Depreciation calculated on a straight-line basis is as follows for major asset categories:

Office equipment	33%
Furniture and fittings	15%
Infrastructure and buildings	2%-5%
Motor vehicles	20%-25%

Depreciation on equipment utilized in the development of assets, including open pit and underground mine development, is depreciated and recapitalized as development costs attributable to the related asset.

(iii) Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset until such time as the asset is substantially complete and ready for its intended use or sale. Where funds have been borrowed specifically to finance an asset, the amount capitalized is the actual borrowing costs incurred. Where the funds are used to finance an asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company. The results of businesses acquired during the year are included in the consolidated financial statements from the effective date of when control is obtained. The identifiable assets, liabilities and contingent liabilities of the business which can be measured reliably are recorded at provisional fair values at the date of acquisition. Provisional fair values are finalized within twelve months of the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill arising in a business combination is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interest over the net identifiable assets acquired and liabilities assumed.

Asset impairment

(i) Property, plant and equipment

The Company performs impairment tests on property, plant and equipment, mineral properties and mine development costs when events or changes in circumstances occur that indicate the assets may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, for example due to no distinctive cashflows, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Cash-generating units are individual operating mines, smelters or exploration projects.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. Value in use is the estimated future cash flows expected to arise from the continuing use of the assets in their present form and from their disposal, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in net earnings immediately.

(ii) Goodwill

Goodwill arising on business combinations is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Goodwill is allocated to the lowest level at which the goodwill is monitored by the Company's board of directors for internal management purposes. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment at the same time every year.

Any impairment loss is recognized in net earnings immediately. Impairment of goodwill is not subsequently reversed.

Restoration provisions

The Company recognizes liabilities for constructive or legislative and regulatory obligations, including those associated with the reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of assets. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for accretion expense, representing the unwinding of the discount applied to the provision, and adjusted for changes to the current market-based risk-free discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the expected useful life of the asset or expensed in the period for closed sites.

Revenue recognition

The Company produces copper, gold, nickel, silver and zinc products which are sold under pricing arrangements where final prices are set at a specified date based on market prices.

The Company identifies contracts with customers, the performance obligations within it, the transaction price and its allocation to the performance obligations.

Revenues are recognized when control of the product passes to the customer and are measured based on expected consideration. Control typically passes on transfer of key shipping documents which typically occurs around the shipment date. Shipping services provided are a separate performance obligation and the revenue for these services is recognized over time. For bill-and-hold arrangements, whereby the Company invoices but retains physical possession of products, revenue recognition is also subject to the arrangement being substantive, as well as the product concerned being separately identifiable, ready for transfer and not transferable to another customer.

For provisionally priced sales, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in metal market prices result in the existence of an embedded derivative in the accounts receivable. This is recorded at fair value, with changes in fair value classified as a component of cost of sales.

The Company recognizes deferred revenue in the event it receives payments from customers before a sale meets criteria for revenue recognition. The transaction price is adjusted to reflect any significant financing component at the rate that reflects the credit characteristics of the entity receiving the financing.

Current and deferred income taxes

Tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Periodically, the positions taken by the Company with respect to situations in which applicable tax regulation is subject to interpretation are evaluated to establish provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are not recognized in respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Company and it is probable that temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based compensation

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the options. The amount recognized as an expense is adjusted to reflect the number of options for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of options that meet the related service and non-market performance conditions at the vesting date.

For share-based payment options with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The Company grants stock options under its stock option plan and performance stock units (“PSUs”), restricted stock units (“RSUs”) and key restricted stock units (“KRSUs”) under its long-term incentive plan to directors and employees. The Company expenses the fair value of stock options, PSUs, RSUs and KRSUs granted over the vesting period, with a corresponding increase in equity.

The fair value of stock options is determined using an option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. Cash consideration received from employees when they exercise the options is credited to capital stock.

PSUs typically vest at the end of a three-year period if certain performance and vesting criteria, based on the Company’s share price performance relative to a representative group of other mining companies, have been met. The fair value of PSUs is determined using a valuation model that takes into account, as of the grant date, the expected life of the PSU, expected volatility, expected dividend yield, and the risk-free interest rate over the life of the PSU to generate potential outcomes for share prices, which are used to estimate the probability of the PSUs vesting at the end of the performance measurement period.

RSUs typically vest at the end of a three-year period and the fair value of RSUs is determined by reference to the share price of the Company at the date of grant.

KRSUs vest in tranches over a four to eight-year period and the fair value of RSUs is determined by reference to the share price of the Company at the date of grant.

Details of share-based compensation are disclosed in note 16.

Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the period. Shares acquired under the long-term incentive plan are treated as treasury shares and are deducted from the number of shares outstanding for the calculation of basic earnings per share. Diluted earnings per share are calculated using the treasury share method whereby all “in the money” share based arrangements are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period.

(expressed in millions of U.S. dollars)

Financial instruments

The Company's financial instruments consist of cash and cash equivalents, bank overdrafts, restricted cash, trade and other receivables, investments, trade and other payables, derivative instruments, debt and amounts due to joint ventures.

Financial assets are classified as measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are measured at amortized cost or FVTPL.

(i) Cash and cash equivalents, bank overdrafts and restricted cash

Cash and cash equivalents and bank overdrafts comprise cash at banks and on hand and other short-term investments with initial maturities of less than three months. Restricted cash comprises cash deposits used to guarantee letters of credit issued by the Company or held for escrow purposes.

Cash and cash equivalents and restricted cash are measured at amortized cost. Cash pooling arrangements are presented on a gross basis unless physical cash settlement of balances has been made at the balance sheet date.

(ii) Trade and other receivables

Provisionally priced sales included in trade and other receivables are classified as FVTPL. All other trade receivables are classified as amortized cost financial assets and are recorded at the transaction price, net of transaction costs incurred and expected credit losses.

(iii) Investments

Investments are designated as FVOCI. Fair value is determined in the manner described in note 24. Unrealized gains and losses are recognized in other comprehensive income.

(iv) Derivatives and hedging

A portion of the Company's metal sales are sold on a provisional basis whereby sales are recognized at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The Company enters into derivative contracts to directly offset the exposure to final pricing adjustments on the provisionally priced sales contracts. The Company also periodically enters into derivative instruments to mitigate cash flow exposure to commodity prices, foreign exchange rates and interest rates. Derivative financial instruments, including embedded derivatives related to the provisionally priced sales contracts, are classified as fair value through profit or loss and measured at fair value as determined by active market prices and valuation models, as appropriate. Valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining these assumptions, the Company uses readily observable market inputs where available or, where not available, inputs generated by the Company. Changes in the fair value of derivative instruments are recorded in net earnings.

At the inception of a designated hedging relationship, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The time value of hedges for the year-ended December 31, 2020 of $3 million (December 31, 2019: $nil million) is also recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the Statements of Earnings within 'other income (expense)'. A loss on ineffective hedges of $30 million was recognized in the year ended December 31, 2020, of which $20 million and $10 million related to copper and nickel forwards, respectively (December 31, 2019: nil). These losses were due to the interruption to sales as a result of Cobre Panama being placed on preservation and safe maintenance in April 2020, and the timing of the restart of Ravensthorpe production, respectively. Full levels of production were resumed at Cobre Panama in August 2020.

Amounts accumulated in equity are reclassified to the Statements of Earnings in the periods when the hedged item affects net earnings.

(v) Trade and other payables, debt and amounts due to joint ventures

Trade payables, debt and amounts due to joint ventures are classified as amortized cost financial liabilities and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. For debt, any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in net earnings over the period to maturity using the effective interest rate method.

Exchanges of instruments and modifications to debt are assessed using quantitative and qualitative factors to consider whether the exchange or modification constitutes an extinguishment of the original financial liability and establishment of a new financial liability. In the case of extinguishment, any fees or costs incurred are recognized in the Statement of Earnings. Where the terms in an exchange or modification are not assessed to be substantially different, a modification gain or loss is recognized at an amount equal to the difference between the modified cash flows discounted at the original effective interest rate and the carrying value of the debt. The carrying value of the debt is adjusted for this modification gain or loss, directly attributable transaction costs, and any cash paid to or received from the debt holder.

(vi) Impairment of financial assets

Expected credit losses ("ECL") are recognized for financial assets held at amortized cost. This is based on credit losses that result from default events that are possible within a 12-month period, except for trade receivables, whose ECLs are on a simplified lifetime basis, and any financial assets for which there has been a significant increase in credit risk since initial recognition, for which ECLs over the lifetime are recognized.

Investments in joint ventures

Joint arrangements whereby joint control exists are accounted for using the equity method and presented separately in the balance sheet. The investment is initially recognized at cost and adjusted thereafter for the post-acquisition share of profit or loss. Further detail of the investment in joint venture is provided in note 9.

d) Accounting standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

- Effective on January 1, 2021, Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform. The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform (IBOR). A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Senior debt facility and the Kalumbila term loan are subject to USD LIBOR and will be impacted by IBOR reform.

Amendments to IAS 16, Property, Plant and Equipment—Proceeds before Intended Use

- Effective on January 1, 2022, the amendments to IAS 16 require that entities are no longer able to deduct the net proceeds from selling any items from an asset's carrying amount before it is capable of operating in the manner intended by management. Instead, the proceeds should be recognised in accordance with applicable standards and in particular applying the measurement requirements of IAS 2 for the cost of those items. The Amendments to IAS 16 may impact the Company's development projects.

Annual Improvements to IFRS Standards 2018-2020 Cycle- Amendments to IFRS 1 First-time Adoption of International Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

- Effective on January 1, 2022, the amendments include an update to IFRS 9 regarding fees included in the quantitative test used to determine whether an exchange of debt instruments or modification of terms is accounted for as an extinguishment or a modification. The fees are to include only fees paid or received between the borrower and lender or received by either the borrower or lender on the other's behalf. The Company regularly reviews its financing arrangements and further modifications or exchanges will be assessed under the updated quantitative test.

3 Significant judgments, estimates and assumptions

Many of the amounts disclosed in the financial statements involve the use of judgments, estimates and assumptions. These judgments and estimates are based on management's knowledge of the relevant facts and circumstances at the time, having regard to prior experience, and are continually evaluated.

(i) Significant judgments

- Determination of ore reserves and resources

  Judgments about the amount of product that can be economically and legally extracted from the Company's properties are made by management using a range of geological, technical and economic factors, history of conversion of mineral deposits to proven and probable reserves as well as data regarding quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. This process may require complex and difficult geological judgments to interpret the data. The Company uses qualified persons (as defined by the Canadian Securities Administrators' National Instrument 43-101) to compile this data.

Changes in the judgments surrounding ore reserves and resources may impact the carrying value of property, plant and equipment (note 6), restoration provisions included in provisions and other liabilities (note 11), recognition of deferred income tax amounts (note 13) and depreciation (note 6).

- Achievement of commercial production

  Once a mine or smelter reaches the operating levels intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain of the Company's assets reach this level.

  Management considers several factors, including, but not limited to the following:

  - completion of a reasonable period of commissioning;
  - consistent operating results achieved at a pre-determined level of design capacity and indications exist that this level will continue;
  - mineral recoveries at or near expected levels;
  - and the transfer of operations from development personnel to operational personnel has been completed.

- Taxes

  Judgment is required in determining the recognition and measurement of deferred income tax assets and liabilities on the balance sheet. In the normal course of business, the Company is subject to assessment by taxation authorities in various jurisdictions. These authorities may have different interpretations of tax legislation or tax agreements than those applied by the Company in computing current and deferred income taxes. These different judgments may alter the timing or amounts of taxable income or deductions. The final amount of taxes to be paid or recovered depends on a number of factors including the outcome of audits, appeals and negotiation. Amounts to be recovered and the timings of recoveries with respect to indirect taxes, such as VAT, are subject to judgment which, in the instance of a change of circumstances, could result in material adjustments.

  The Company operates in a specialized industry and in a number of tax jurisdictions. As a result, its income is subject to various rates of taxation. The breadth of its operations and the global complexity and interpretation of tax regulations require assessment and judgement of uncertainties and of the taxes that the Company will ultimately pay. These are dependent on many factors, including negotiations with tax authorities in various jurisdictions, outcomes of tax litigation and resolution of disputes. The resolution of these uncertainties may result in adjustments to the Company's tax assets and liabilities.

  Management assesses the likelihood and timing of taxable earnings in future periods in recognizing deferred income tax assets on unutilized tax losses. Future taxable income is based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. Forecast cash flows are based on life of mine projections.

  To the extent that future cash flows and taxable income differ significantly from forecasts, the ability of the Company to realize the net deferred income tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income tax assets are disclosed in note 13.

- Precious metal stream arrangement

  On October 5, 2015, the Company finalized an agreement with Franco-Nevada Corporation ("Franco-Nevada") for the delivery of precious metals from the Cobre Panama project. Franco-Nevada have provided $1 billion deposit to the Cobre Panama project against future deliveries of gold and silver produced by the mine. A further agreement was completed on March 26, 2018, with an additional $356 million received from Franco-Nevada.

  Management has determined that the under the terms of the agreements the Company meets the 'own-use' exemption criteria under *IFRS 9: Financial Instruments*. The Company also retains significant business risk relating to the operation of the mine and as such has accounted for the proceeds received as deferred revenue.

  Management has exercised judgement in determining the appropriate accounting treatment for the Franco-Nevada streaming agreements. Management has determined, with reference to the agreed contractual terms in conjunction with the Cobre Panama reserves and mine plan, that funds received from Franco-Nevada constitute a prepayment of revenues deliverable from future Cobre Panama production.

- Assessment of impairment indicators

  Management applies significant judgement in assessing the cash-generating units and assets for the existence of indicators of impairment at the reporting date. Internal and external factors are considered in assessing whether indicators of impairment are present that would necessitate impairment testing. Significant assumptions regarding commodity prices, production, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by senior management and compared, where applicable, to relevant market consensus views.

The Company's most significant CGUs are longer-term assets and therefore their value is assessed on the basis of longer-term pricing assumptions. Shorter-term assets are more sensitive to short term commodity prices assumptions that are used in the review of impairment indicators.

The carrying value of property, plant and equipment and goodwill at the balance sheet date is disclosed in note 6 and note 7 respectively, and by mine location in note 23.

Asset impairments are disclosed in note 20.

(ii) Significant accounting estimates

Estimates are inherently uncertain and therefore actual results may differ from the amounts included in the financial statements, potentially having a material future effect on the Company's consolidated financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

- Determination of ore reserves and life of mine plan

  Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analyzing geological data such as drilling samples. Following this, the quantity of ore that can be extracted in an economical manner is calculated using data regarding the life of mine plans and forecast sales prices (based on current and long-term historical average price trends).

  The majority of the Company's property, plant and equipment are depreciated over the estimated lives of the assets on a units-of-production basis. The calculation of the units-of-production rate, and therefore the annual depreciation expense could be materially affected by changes in the underlying estimates which are driven by the life of mine plans. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the commodity prices used in the estimation of mineral reserves.

  Management made significant estimates of the strip ratio for each production phase. Waste material stripping costs in excess of this ratio, and from which future economic benefit will be derived from future access to ore, will be capitalized to mineral property and depreciated on a units-of-production basis.

  Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment (note 6), restoration provisions (note 11), recognition of deferred income tax amounts (note 13) and depreciation (note 6).

- Review of asset carrying values and impairment charges

  Management's determination of recoverable amounts includes estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. The calculation of the recoverable amount can also include assumptions regarding the appropriate discount rate and inflation and exchange rates. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

- Estimation of the amount and timing of restoration and remediation costs

  Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place at each mining operation and any environmental and social principles the Company is in compliance with. The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for restoration. A 10% increase in costs would result in an increase to restoration provisions of $81 million at December 31, 2020.

  The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the consolidated balance sheet. The carrying amount of the Company's restoration provision is disclosed in note 11c.

(expressed in millions of U.S. dollars)

- Estimation and assumptions relating to the timing of VAT receivables in Zambia

  In addition to the recoverability of VAT receivables being a key judgment, certain assumptions are determined by management in calculating the adjustment for expected phasing of VAT receipts. In assessing the expected phasing adjustment, management considers publicly available information with respect to the fiscal situation in Zambia as well as the level of refunds and offsets provided historically, and a Zambian risk-free rate is then applied to calculate the phasing adjustment. Changes to the timings could materially impact the amounts charged to finance costs. The impact of repayments being one year later than estimated at December 31, 2020, would lead to a decrease to the carrying value and an increase to finance costs of $36 million. The carrying amount of the Company's VAT receivables is disclosed in note 4b.

4 Trade receivables

a) Trade and other receivables

	December 31, 2020	December 31, 2019
Trade receivables	583	369
VAT receivable (current)	13	20
Other receivables	141	123
	737	512

b) VAT receivable

	December 31, 2020	December 31, 2019
Kansanshi Mining PLC	178	233
Kalumbila Minerals Limited	154	141
First Quantum Mining and Operations Limited (Zambia)	17	24
VAT receivable from the Company's Zambian operations	349	398
Cobre Las Cruces SA	7	10
Çayeli Bakır İşletmeleri A.Ş.	4	5
Other	2	3
Total VAT receivable	362	416
Less: current portion, included within trade and other receivables	(13)	(20)
Non-current VAT receivable	349	396

(expressed in millions of U.S. dollars)

c) VAT receivable by the Company's Zambian operations

	December 31, 2020	December 31, 2019
Receivable at date of claim	855	847
Impact of depreciation of Zambian kwacha against U.S. dollar[1]	(379)	(242)
	476	605
Adjustment for expected phasing for non-current portion[2]	(127)	(207)
Total receivable	349	398
Consisting:		
Current portion, included within trade and other receivables	-	2
Non-current VAT receivable	349	396

[1] The impact of depreciation of the Zambian kwacha against the U.S. dollar in the year ended December 31, 2020 on the Company's Zambian operations VAT receivable is included within other expense in the Statement of Earnings (Loss).

[2] The adjustment for expected phasing of $80 million has been recognized in the year-ended December 31, 2020, (year-ended December 31, 2019: $182 million charge), representing the expected phasing of the Zambian VAT receivable. Discussions with the relevant government authorities are ongoing and management continues to consider that the outstanding VAT claims are fully recoverable.

d) Aging analysis of VAT receivable for the Company's Zambian operations

	< 1 year	1-3 years	3-5 years	5-8 years	Total
Receivable at date of claim[1]	167	373	107	208	855
Impact of depreciation of Zambian Kwacha against U.S. dollar	(24)	(154)	(59)	(142)	(379)
Non- current VAT due	143	219	48	66	476
Adjustment for expected phasing	(36)	(60)	(13)	(18)	(127)
Total VAT receivable from Zambian operations	107	159	35	48	349

The movement in VAT receivable at date of claim is net of offsets and cash receipts received in the year-ended December 31, 2020, of $110 million and $1 million (year-ended December 31, 2019, $8 and $3 million).

5 Inventories

	December 31, 2020	December 31, 2019
Ore in stockpiles	196	267
Work-in-progress	29	27
Finished product	313	284
Total product inventory	538	578
Consumable stores	795	789
	1,333	1,367

(expressed in millions of U.S. dollars)

6 Property, plant and equipment

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs: Operating mines	Mineral properties and mine development costs: Development projects	Total
Net book value, as at January 1, 2020	10,802	851	7,182	1,137	19,972
Additions	-	605	-	-	605
Disposals	(17)	-	-	-	(17)
Transfers between categories	340	(652)	302	10	-
Restoration provision (note 11c)	-	-	107	-	107
Depreciation charge (note 18)	(847)	-	(352)	-	(1,199)
Net book value, as at December 31, 2020	10,278	804	7,239	1,147	19,468
Cost	15,627	804	9,470	1,147	27,048
Accumulated depreciation	(5,349)	-	(2,231)	-	(7,580)

	Plant and equipment	Capital work-in-progress	Mineral properties and mine development costs: Operating mines	Mineral properties and mine development costs: Development projects	Total
Net book value, as at January 1, 2019	4,634	10,125	2,097	2,242	19,098
Change in accounting policy – IFRS 16	20	-	-	-	20
Additions	-	1,274	-	-	1,274
Disposals	(32)	-	-	-	(32)
Impairments (note 20)	(76)	-	(25)	-	(101)
Transfers between categories	6,897	(11,097)	5,305	(1,105)	-
Restoration provision (note 11c)	-	-	96	-	96
Capitalized interest (note 21)	-	549	-	-	549
Depreciation charge (note 18)	(641)	-	(291)	-	(932)
Net book value, as at December 31, 2019	10,802	851	7,182	1,137	19,972
Cost	15,371	851	9,061	1,137	26,420
Accumulated depreciation	(4,569)	-	(1,879)	-	(6,448)

Following declaration of commercial production at Cobre Panama on September 1, 2019, capitalization of qualifying finance costs ceased. During the year ended December 31, 2020, no interest (December 31, 2019: $549 million) was capitalized relating to the development of Cobre Panama. The amount capitalized to December 31, 2019, was determined by applying the weighted average cost of borrowings of 6.8% to the accumulated qualifying expenditures.

Included within capital work-in-progress and mineral properties – operating mines at December 31, 2020, is an amount of $720 million related to capitalized deferred stripping costs (December 31, 2019: $682 million).

(expressed in millions of U.S. dollars)

7 Goodwill

Goodwill of $237 million arose through the acquisition of Inmet Mining Corporation ("Inmet") in 2013 after the application of IAS 12 – Income taxes, due to the requirement to recognize a deferred tax liability calculated as the tax effect of the difference between the fair value of the assets acquired and their respective tax bases. Goodwill is not deductible for tax purposes. The goodwill was assigned to the Cobre Panama cash-generating unit.

The carrying value of the Cobre Panama cash-generating unit at December 31, 2020, was $10,473 million inclusive of deferred revenue (December 31, 2019: $10,611 million).

The annual impairment test has been performed at December 31, 2020. For the purposes of the goodwill impairment test, the recoverable amount of the Cobre Panama cash-generating unit has been determined using a fair value less costs of disposal calculation based on a discounted cash flow model over a period of 34 years, which uses a post-tax discount rate, taking account of assumptions that would be made by market participants. The future cash flows used in this model are inherently uncertain and could materially change over time as a result of changes to the following key assumptions which included: ore reserves and resources estimates, commodity prices, discount rates, future production costs and future capital expenditure. Reserves and resources are estimated based on the National Instrument 43-101 compliant report produced by qualified persons. The production profile used in the cash flow model is consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proven and probable reserves. Such production volumes are dependent on a number of variables, including the recovery of metal from the ore, production costs, duration of mining rights, and the selling price of extracted minerals. Commodity prices are management's estimates of the views of market participants, including a long-term copper price of $3.00 per lb. The estimates are derived from the median of consensus forecasts. A nominal discount rate of 9.0% (December 31, 2019: 9.5%) has been applied to future cash flows, derived from Cobre Panama's weighted average cost of capital (in nominal terms). Future production costs and future capital expenditure are based on the latest available engineering reports and are consistent with technical reports prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects. The measurement is classified as level 3 in the fair value hierarchy (see note 24).

The calculated recoverable amount of the cash-generating unit exceeds the carrying value of Cobre Panama at December 31, 2020, and therefore no impairment charge has been recognized.

8 Other assets

	December 31, 2020	December 31, 2019
Prepaid expenses	110	142
KPMC shareholder loan	292	246
Other investments	16	19
Derivative instruments (note 24)	8	9
Total other assets	426	416
Less: current portion of other assets	(88)	(135)
	338	281

9 Joint venture

On November 8, 2017, the Company completed the purchase of a 50% interest in KPMC from LS-Nikko Copper Inc. KPMC is jointly owned and controlled with Korea Resources Corporation ("KORES") and holds a 20% interest in Cobre Panama. The purchase consideration of $664 million comprised the acquisition consideration of $635 million and the reimbursement of cash advances of $29 million with $179 million paid on closing. Consideration of $100 million was paid in the year ended December 31, 2020 (year ended December 31, 2019: $100 million). The remaining consideration is payable in November 2021.

A $544 million investment in the joint venture representing the discounted consideration value and the Company's proportionate share of the loss in KPMC of $45 million (note 22) is recognized. For the year ended December 31, 2020, the loss attributable to KPMC was $90 million (December 31, 2019: $22 million). The loss in KPMC relate to the 20% equity accounted share of loss reported by MPSA, a subsidiary of the Company. The material assets and liabilities of KPMC are an investment in MPSA of $269 million, shareholder loans receivable from the Company (note 11b) and shareholder loans payable of $1,327 million due to the Company and its joint venture partner KORES.

(expressed in millions of U.S. dollars)

10 Debt

		December 31, 2020	December 31, 2019
Drawn debt			
Senior notes:			
First Quantum Minerals Ltd. 7.00% due February 2021	(a)	-	298
First Quantum Minerals Ltd. 7.25% due May 2022	(b)	-	846
First Quantum Minerals Ltd. 7.25% due April 2023	(c)	1,599	1,093
First Quantum Minerals Ltd. 6.50% due March 2024	(d)	845	843
First Quantum Minerals Ltd. 7.50% due April 2025	(e)	1,346	1,091
First Quantum Minerals Ltd. 6.875% due March 2026	(f)	993	991
First Quantum Minerals Ltd. 6.875% due October 2027	(g)	1,487	-
First Quantum Minerals Ltd. senior debt facility	(h)	1,632	2,422
Kalumbila term loan	(i)	110	341
Trading facilities	(j)	311	262
Equipment financing	(k)	-	11
Total debt		8,323	8,198
Less: current maturities and short term debt		(871)	(838)
		7,452	7,360
Undrawn debt			
First Quantum Minerals Ltd. senior debt facility	(h)	600	250
Trading facilities	(j)	129	138

The movement in total debt of $125 million is inclusive of deferred charges that are consequently not reflected in financing activities in the Consolidated Statement of Cash Flows.

a) First Quantum Minerals Ltd. 7.00% due February 2021

The notes were part of the senior obligations of the Company and were guaranteed by certain of the Company's subsidiaries. Interest was payable semi-annually.

The Company could redeem some or all of the notes at any time on or after February 15, 2018, at redemption prices ranging from 103.5% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicated the existence of an embedded derivative, the value of this derivative was not significant.

The Company was subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

In March 2019, the Company made a partial redemption of $821 million of the notes at a redemption price of 101.75%. The redemption premium is presented within cash flows from financing activities in the Statement of Cash Flows. The loss arising from the partial redemption of senior notes of $25 million has been recognized in earnings before income taxes in the Statement of Earnings.

On January 16, 2020, the Company issued a notice of redemption of the remaining 2021 Notes. The 2021 Notes were redeemed at 100% of the principal amount, plus accrued and unpaid interest to the redemption date on February 15, 2020.

b) First Quantum Minerals Ltd. 7.25% due May 2022

The notes were part of the senior obligations of the Company and were guaranteed by certain of the Company's subsidiaries. Interest was payable semi-annually.

The Company could redeem some or all of the notes at any time on or after May 15, 2017 at redemption prices ranging from 105.438% in the first year to 100% from 2020, plus accrued interest. Although part of this redemption feature indicated the existence of an embedded derivative, the value of this derivative was not significant.

The Company was subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

On September 18, 2020, the Company issued a notice of redemption of the remaining 2022 Notes. The Notes were redeemed at 100% of the principal amount, plus accrued and unpaid interest, to the redemption date on October 19, 2020, the next business day following the redemption date.

c) First Quantum Minerals Ltd. 7.25% due April 2023

The notes are part of the senior obligations of the Company and are guaranteed by certain of the Company's subsidiaries. Interest is payable semi-annually.

The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

On January 13, 2020, the Company issued an additional $500 million of 2023 Notes priced at 102.50%. The new Notes represent an additional offering of the Company's existing 2023 Notes, issued under the same indentures.

The Company may redeem some or all of the notes at any time on or after April 1, 2020, at redemption prices ranging from 103.625% in the first year to 100% in the final year, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

d) First Quantum Minerals Ltd. 6.50% due March 2024

In February 2018, the Company issued $850 million in senior notes due in 2024, bearing interest at an annual rate of 6.50%. The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

The notes are part of the senior obligations of the Company and are guaranteed by certain subsidiaries of the Company. Interest is payable semi-annually.

The Company may redeem some or all of the notes at any time on or after September 1, 2020, at redemption prices ranging from 103.25% in the first year to 100% from September 2022, plus accrued interest. Prior to September 1, 2020, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 106.50% plus accrued interest. Although part of this redemption feature indicated the existence of an embedded derivative, the value of this derivative is not significant.

e) First Quantum Minerals Ltd. 7.50% due April 2025

The notes are part of the senior obligations of the Company and are guaranteed by certain subsidiaries of the Company. Interest is payable semi-annually.

The Company may redeem some or all of the notes at any time on or after April 1, 2020, at redemption prices ranging from 105.625% in the first year to 100% from 2023, plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant. Prior to April 1, 2020, the notes may be redeemed at 100% plus a make-whole premium, and accrued interest. In addition, until April 1, 2020, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.50% plus accrued interest.

The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

On January 13, 2020, the Company issued an additional $250 million of 2025 Notes priced at 103.00%. The Notes represent an additional offering of the Company's existing 2025 Notes, issued under the same indentures.

f) First Quantum Minerals Ltd. 6.875% due March 2026

In February 2018, the Company issued $1 billion in senior notes due in 2026, bearing interest at an annual rate of 6.875%.. The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

The notes are part of the senior obligations of the Company and are guaranteed by certain subsidiaries of the Company. Interest is payable semi-annually.

The Company may redeem some or all of the notes at any time on or after March 1, 2021, at redemption prices ranging from 105.156% in the first year to 100% from 2024, plus accrued interest. In addition, until March 1, 2021, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 106.875% plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

g) First Quantum Minerals Ltd. 6.875% due October 2027

On September 17, 2020, the Company announced the offering and pricing of $1,500 million of 6.875% Senior Notes due 2027 at an issue price of 100.00%. Settlement took place on October 1, 2020. The Company and its subsidiaries are subject to certain restrictions on asset sales, payments, incurrence of indebtedness and issuance of preferred stock.

The notes are part of the senior obligations of the Company and are guaranteed by certain subsidiaries of the Company. Interest is payable semi-annually.

The Company may redeem some or all of the notes at any time on or after October 15, 2023, at redemption prices ranging from 103.44% in the first year to 100% from October 2025, plus accrued interest. In addition, until October 15, 2023, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 106.875% plus accrued interest. Although part of this redemption feature indicates the existence of an embedded derivative, the value of this derivative is not significant.

h) First Quantum Minerals Ltd. senior debt facility

On February 6, 2019, the Company signed a Term Loan and Revolving Credit Facility ("RCF", together "The 2019 Facility") replacing the previous $1.5 billion RCF, which was extinguished with no extinguishment gain or loss. The 2019 Facility has an accordion feature to increase it to $3.0 billion before the end of June 2020 and comprises a $1.5 billion Term Loan Facility and a $1.2 billion RCF (which can be upsized to $1.5 billion if the accordion feature is activated), maturing on December 31, 2022. Interest is charged at LIBOR plus a margin. This margin can change relative to certain financial ratios of the Company.

Transaction costs for the new facilities have been deducted from the principal drawn on initial recognition.

At December 31, 2020, $600 million of the RCF has been drawn, leaving $600 million available for the Company to draw.

i) Kalumbila term loan

On February 5, 2018, Kalumbila Minerals Limited, the owner of the Sentinel copper mine, signed a $230 million unsecured term loan facility (the "Kalumbila Facility") with an initial termination date of December 31, 2020 (with the right of Kalumbila Minerals Limited to request an extension of one or two years subject to lender consent). The facility was upsized to $400 million in March 2018 in accordance with the accordion feature of the facility agreement. Repayments on the facility commenced in December 2019, with a repayment of $57 million and a further repayment of the same amount in June 2020.

This loan was partly repaid on November 27, 2020, with $175 million repaying in full or part, the existing lenders, and a reduced commitment of $111 million agreed. While the termination date is December 31, 2021, Kalumbila Minerals Limited has the right to request an extension of one further year, subject to lender consent. The full principal outstanding at December 31, 2020, $111 million, is due within 12 months.

j) Trading facilities

The Company's metal marketing division has five uncommitted borrowing facilities totalling $440 million. The facilities are used to finance purchases and the term hedging of copper, gold and other metals, undertaken by the metal marketing division. Interest on the facilities is calculated at the bank's benchmark rate plus a margin. The loans are collateralized by physical inventories.

k) Equipment financing

In April 2014, Sentinel entered into an agreement with Caterpillar Financial Services Corporation ("Caterpillar") to finance equipment purchases up to $102 million. The agreement was secured by equipment that was purchased from Caterpillar, incurs interest at LIBOR plus a margin and amounts were repayable over a period to December 2020.

In March 2020, the financing arrangement with Caterpillar Financial Services Corporation was fully repaid and cancelled.

(expressed in millions of U.S. dollars)

11 Provisions and other liabilities

a) Provisions and other liabilities

	December 31, 2020	December 31, 2019
Amount owed to joint venture (note 11b)[1]	1,327	1,238
Restoration provisions (note 11c)	821	699
Derivative instruments (note 24)	452	31
Non-current consideration for acquisition of joint venture[2] (note 9)	-	82
Leases	30	36
Retirement provisions	50	40
Deferred revenue (note 12)	91	95
Other deferred revenue	22	31
Other	95	112
Total other liabilities	2,888	2,364
Less: current portion	(602)	(192)
	2,286	2,172

[1] The shareholder loan is due from the Company's Cobre Panama operation to KPMC, a 50:50 joint venture between the Company and KORES.
[2] The current portion of the consideration for acquisition of joint venture of $100 million (December 31, 2019: $100 million) has been included in trade and other payables.

b) Amount owed to joint venture

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	1,238	946
Repayment of interest	(54)	-
Funding provided to MPSA for the development of Cobre Panama	28	190
Interest accrued	115	102
Balance at end of year due to KPMC	1,327	1,238

In September 2013, the Company and KPMC entered into a shareholder loan agreement with Minera Panama S.A ("MPSA") for development of the Cobre Panama project, in which KPMC is a 20% shareholder. Interest is calculated semi-annually at an annual rate of 9%. In November 2017, the Company acquired a 50% interest in KPMC from LS-Nikko Copper Inc. inclusive of the above shareholder loans. The assets and liabilities of KPMC are an investment in MPSA, a subsidiary of the Company, a loan receivable from MPSA, and loans due to shareholders. Interest income and expense earned on these loans are on the same terms.

Following completion of the additional precious metal streaming agreement with Franco Nevada, the receipt of $356 million proceeds by MPSA was used entirely to repay shareholder loans by MPSA to KPMC. Of this $356 million shareholder loan repayment, $178 million was received by the Company.

As at December 31, 2020, the accrual for interest payable is $387 million (December 31, 2019: $326 million) and is included in the carrying value of the amount owed to the joint venture. Amounts due to KPMC are specifically excluded from the calculation of net debt as defined under the Company's banking covenant ratios.

(expressed in millions of U.S. dollars)

c) Restoration provisions

The Company has restoration and remediation obligations associated with its operating mines, processing facilities, closed sites and development projects. The following table summarizes the movements in the restoration provisions:

	2020	2019
As at January 1	699	585
Changes in estimate – operating sites (note 6)	107	96
Changes in estimate – closed sites (note 22)	-	8
Other adjustments	4	(4)
Accretion expense (note 21)	11	14
As at December 31	821	699
Less: current portion	(5)	(4)
	816	695

The Company has issued letters of credit which are guaranteed by cash deposits, classified as restricted cash on the balance sheet at December 31, 2020, totalling $12 million (December 31, 2019: $10 million).

The restoration provisions have been recorded initially as a liability based on management's best estimate of cash flows, using a risk-free discount rate between 0.2% and 1.7% and an inflation factor between 1.5% and 7.0%. Reclamation activity is expected to occur over the life of each of the operating mines, a period of up to 34 years, with the majority payable in the years following the cessation of mining operations.

12 Deferred revenue

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	1,516	1,490
Accretion of finance costs	64	64
Amortization of gold and silver revenue	(56)	(38)
Balance at the end of the year	1,524	1,516
Less: current portion (included within provisions and other liabilities)	(91)	(95)
Non-current deferred revenue	1,433	1,421

Franco-Nevada precious metal stream arrangement

The Company, through its subsidiary, MPSA, has a precious metal streaming arrangement with Franco-Nevada. The arrangement comprises two tranches. Under the first phase of deliveries under the first tranche ("Tranche 1") Cobre Panama will supply Franco-Nevada 120 ounces of gold and 1,376 ounces of silver for each 1 million pounds of copper produced, deliverable within 5 days of eligible copper concentrate sales. Under the first phase of deliveries under the second tranche ("Tranche 2") Cobre Panama will supply Franco-Nevada a further 30 ounces of gold and 344 ounces of silver for each 1 million pounds of copper produced, deliverable within 5 days of eligible copper concentrate sales.

Tranche 1 was finalized on October 5, 2015 which provided for $1 billion of funding to the Cobre Panama project. Under the terms of Tranche 1, Franco-Nevada, through a wholly owned subsidiary, agreed to provide a $1 billion deposit to be funded on a pro-rata basis of 1:3 with the Company's 80% share of the capital costs of Cobre Panama in excess of $1 billion. The full Tranche 1 deposit amount has been fully funded to MPSA. Tranche 2 was finalized on March 16, 2018, and $356 million was received on completion. Proceeds received under the terms of the precious metals streaming arrangement are accounted for as deferred revenue

The amount of precious metals deliverable under both tranches is indexed to total copper-in-concentrate sold by Cobre Panama. Under the terms of Tranche 1 the ongoing payment of the Fixed Payment Stream is fixed per ounce payments of $437.37 per oz gold and $6.56 per oz silver subject to an annual inflation adjustment for the first 1,341,000 ounces of gold and 21,510,000 ounces of silver (approximately the first 20 years of expected deliveries). Thereafter the greater of $437.37 per oz for gold and $6.56 per oz for silver, subject to an adjustment for inflation, and one half of the then prevailing market price. Under Tranche 2 the ongoing price per ounce for deliveries is 20% of the spot price for the first 604,000 ounces of gold and 9,618,000 ounces of silver (approximately the first 25 years of production), and thereafter the price per ounce rises to 50% of the spot price of gold and silver.

(expressed in millions of U.S. dollars)

In all cases, the amount paid is not to exceed the prevailing market price per ounce of gold and silver.

The Company commenced the recognition of delivery obligations under the terms of the arrangement in June 2019 following the first sale of copper concentrate. Deferred revenue will continue to be recognized as revenue over the life of the mine, which is expected to be 34 years. The Company uses refinery-backed credits as the mechanism for satisfying its delivery obligations under the arrangement. In the year ended December 31, 2020, $129 million was recognized in cost of sales, in the year ended December 31, 2019, $44 million.

13 Income tax expense

The significant components of the Company's income tax expense are as follows:

	2020	2019
Current income tax expense	334	270
Deferred income tax credit	(78)	(200)
	256	70

The income taxes shown in the consolidated statements of earnings differ from the amounts obtained by applying statutory rates to the earnings before income taxes due to the following:

	2020		2019	
	Amount $	%	Amount $	%
Earnings before income taxes	32		19	
Income tax expense at Canadian statutory rates	9	27	5	27
Difference in foreign tax rates	(5)	(16)	1	5
Non-deductible expenses	114	356	46	242
Losses not recognized	172	538	32	168
Impact of foreign exchange and other	(34)	(106)	(14)	(74)
Income tax expense	256	800	70	369

Losses not recognized consists largely of hedge losses and financing costs incurred in Canada, where such losses cannot be used to offset operating income in other countries.

(expressed in millions of U.S. dollars)

The deferred income tax assets and liabilities included on the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Deferred income tax assets	152	93
Deferred income tax liabilities	(595)	(609)
	(443)	(516)

The significant components of the Company's deferred income taxes are as follows:

	2020	2019
Temporary differences relating to property, plant and equipment	(1,198)	(1,353)
Unused operating losses	438	554
Temporary differences relating to non-current liabilities (including restoration provisions)	120	112
Temporary differences relating to inventory	23	11
Unrealized foreign exchange loss and discounting on Zambian VAT receivable	148	134
Other	26	26
Net deferred income tax liabilities	(443)	(516)

The Company believes that it is probable that the results of future operations will generate sufficient taxable income to realize the above noted deferred income tax assets.

The Company has unrecognized deductible temporary differences relating to operating loss carryforwards that may be available for tax purposes in Canada totalling $4,101 million (December 31, 2019: $3,659 million) expiring between 2025 and 2040, and in the United States of America totalling $19 million (December 31, 2019: $22 million) expiring between 2021 and 2038.

The Company also has unrecognized deductible temporary differences relating to restoration provisions of $70 million in Canada (December 31, 2019: $57 million) and $37 million in Finland (December 31, 2019: $33 million).

The Company has non-Canadian resident subsidiaries that have undistributed earnings of $3,737 million (December 31, 2019: $3,458 million). These undistributed earnings are not expected to be repatriated in the foreseeable future and the Company has control over the timing of such, therefore taxes that may apply on repatriation have not been provided for.

14 Share capital

a) Common shares

Authorized

Unlimited common shares without par value

Issued

	Number of shares (000's)
Balance as at December 31, 2019	689,401
Shares issued through Dividend Reinvestment Plan	10
Shares issued through Share Option Plan	906
Balance as at December 31, 2020	690,317

The balance of share capital at December 31, 2020 was $5,642 million (December 31, 2019: $5,642 million).

On January 6, 2020, the Company announced adoption of a Shareholders Rights Plan. The Shareholders Rights Plan ("the Rights Plan") applies in the event of any person or persons acting in concert having beneficial ownership of 20 per cent or more of the Company's outstanding common shares without having complied with bid provisions under the Rights Plan. In the occurrence of such an event, each outstanding common share has a right attached to it to purchase additional common shares of the Company, at a substantial discount to the then market price.

(expressed in millions of U.S. dollars)

b) Treasury shares

The Company established an independent trust to purchase, on the open market, the common shares pursuant to the long-term incentive plan (note 16a). The Company consolidates the trust as it is subject to control by the Company. Consequently, shares purchased by the trust to satisfy obligations under the long-term incentive plan are recorded as treasury shares in shareholders' equity. Generally, dividends received on shares held in the trust will be paid to plan participants in cash as received.

	Number of shares (000's)
Balance as at January 1, 2019	4,153
Shares purchased	-
Shares vested	(1,791)
Balance as at December 31, 2019	2,362
Shares purchased	1,618
Shares vested	(1,792)
Balance as at December 31, 2020	2,188

The balance of shares held in the trust as at December 31, 2020 was $114 million (December 31, 2019: $114 million).

c) Dividends

On February 16, 2021, the Company declared a final dividend of CDN$0.005 per share, in respect of the financial year ended December 31, 2020 (February 13, 2020: CDN$0.005 per share or $3 million) to be paid on May 6, 2021 to shareholders of record on April 15, 2021.

On July 28, 2020, the Company declared an interim dividend of CDN$0.005 per share, in respect of the financial year ended December 31, 2020 (July 29, 2019: CDN$0.005 per share or $2 million), paid on September 21, 2020 to shareholders of record on August 28, 2020.

15 Loss per share

	2020	2019
Basic and diluted loss attributable to shareholders of the Company	(180)	(57)
Basic weighted average number of shares outstanding (000's of shares)	688,469	687,596
Potential dilutive securities:	-	-
Diluted weighted average number of shares outstanding (000's of shares)	688,469	687,596
Loss per common share – basic (expressed in $ per share)	(0.26)	(0.08)
Loss per common share – diluted (expressed in $ per share)	(0.26)	(0.08)

16 Share based compensation and related party transactions

a) Long-term incentive plans

The Company has a long-term incentive plan (the "Plan"), which provides for the issuance of performance stock units ("PSUs"), restricted stock units ("RSUs") in such amounts as approved by the Company's Compensation Committee. Included in general and administrative expense is share-based compensation expense of $19 million (December 31, 2019: $13 million) related to this Plan.

(expressed in millions of U.S. dollars)

Under the Plan, each PSU entitles participants, which includes directors, officers, and employees, to receive up to one-and-a-half common shares of the Company at the end of a three-year period if certain performance and vesting criteria, which are based on the Company's performance relative to a representative group of other mining companies, have been met. The fair value of each PSU is recorded as compensation expense over the vesting period. The fair value of each PSU is estimated using a Monte Carlo Simulation approach. A Monte Carlo Simulation is a technique used to approximate the probability of certain outcomes, called simulations, based on normally distributed random variables and highly subjective assumptions. This model generates potential outcomes for stock prices and allows for the simulation of multiple stocks in tandem resulting in an estimated probability of vesting.

Under the Plan, each RSU entitles the participant to receive one common share of the Company subject to vesting criteria. RSU grants typically vest fully at the end of the three-year period. The fair value of each RSU is recorded as compensation expense over the vesting period. The fair value of each RSU is estimated based on the market value of the Company's shares at the grant date and an estimated forfeiture rate of 11.5% (December 31, 2019: 11.5%).

The Company has a long term compensation scheme for the next generation of operational business leaders (current directors do not participate in the scheme), KRSUs. The scheme allows for full vesting over eight years with partial vesting commencing in the fourth year. The objectives of the scheme are to promote a long-term strategic focus amongst participants and to facilitate the Company's management succession plans as the roles of the founding directors transition during the scheme period. Included in general and administrative expense is share-based compensation expense of $8 million (December 31, 2019: $13 million) related to this Plan.

The Company will meet its obligations under the scheme through market purchases. Full details of the scheme are contained in the Management Information Circular.

	2020 Number of units (000's)	2019 Number of units (000's)
Performance stock units		
Outstanding - beginning of year	3,130	3,079
Granted	1,641	1,458
Vested	(705)	(803)
Forfeited	(446)	(604)
Outstanding - end of year	3,620	3,130
Restricted stock units		
Outstanding - beginning of year	3,411	2,868
Granted	2,891	1,936
Vested	(1,010)	(1,181)
Forfeited	(264)	(212)
Outstanding - end of year	5,028	3,411
Key restricted stock units		
Outstanding – beginning of year	4,400	4,400
Granted	2,280	-
Outstanding - end of year	6,680	4,400

The following assumptions were used in the Monte Carlo Simulation model to calculate compensation expense in respect of the PSUs granted in the following years:

	2020	2019
Risk-free interest rate	0.18%	1.74%
Vesting period	3 years	3 years
Expected volatility	46.3%	55.2%
Expected forfeiture per annum	4%	4%
Weighted average probability of vesting	57.1%	51.8%

(expressed in millions of U.S. dollars)

b) Share option plan

Share options for common shares in the Company are granted to certain key management. Options are exercisable at a price equal to the closing quoted price of the Company's shares on the date of grant. The vesting period varies from one to three years. Options are forfeited if the employee leaves the Company before the options vest. If the options remain unexercised after a period of five years from the grant date the options expire.

Each share option converts into one common share on exercise. An amount equal to the share price at the date of grant is payable by the recipient on the exercise of each option. The options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry.

	2020 Number of options (000's)	2019 Number of options (000's)
Share options		
Outstanding - beginning of year	4,333	2,676
Granted	-	1,703
Exercised	(906)	-
Forfeited	(94)	(46)
Outstanding - end of year	3,333	4,333
Exercisable - end of year	2,035	1,941

Share options grants have been measured using the binomial pricing model. The weighted average inputs of options granted in the year ended December 31, 2019 are as follows. No options were granted in the year ended December 31, 2020.

	2019
Fair value of option	3.99
Exercise price (Canadian dollars)	13.72
Expected volatility	52.0%
Expected life	5 years
Risk-free rate	1.35%
Expected dividend yields	0.1%

Volatility was calculated with reference to the Company's historical share price volatility up to the grant date to reflect a term approximate to the expected life of the option.

The Company recognized total expenses of $4 million (December 31, 2019: $4 million) related to equity-settled share-based payments on share options issued under the above plan for the year ended December 31, 2020.

c) Key management compensation

Key management personnel include the members of the senior management team and directors.

	2020	2019
Salaries, fees and other benefits	4	4
Bonus payments	1	2
Share-based compensation	5	5
Total compensation paid to key management	10	11

(expressed in millions of U.S. dollars)

d) Other related party transactions

Amounts paid to related parties were incurred in the normal course of business and on an arm's length basis. During the year, $6 million (December 31, 2019: $9 million) was paid to parties related to key management for chartering aircraft, accommodation, machinery and services. As at December 31, 2020, nil (December 31, 2019: nil) was included in trade and other payables concerning related party amounts payable.

17 Sales revenues

	2020	2019
Copper	4,377	3,603
Gold	537	342
Nickel	159	-
Silver	44	20
Zinc	8	28
Other	74	74
	5,199	4,067

18 Cost of sales

	2020	2019
Costs of production	(2,902)	(2,287)
Depreciation	(1,199)	(932)
Movement in inventory	(3)	(83)
Movement in depreciation in inventory	(18)	25
	(4,122)	(3,277)

19 Expenses by nature

	2020	2019
Depreciation	(1,217)	(907)
Employment costs, benefits and contractor	(855)	(697)
Raw materials and consumables	(762)	(567)
Repairs and maintenance	(275)	(278)
Royalties	(270)	(219)
Fuel	(212)	(199)
Utilities	(203)	(200)
Freight	(203)	(139)
Refinery credits[2]	(129)	(44)
Travel	(19)	(18)
Change in inventories	(3)	(83)
Copper concentrate purchases	-	(7)
Other	(89)	(20)
	(4,237)	(3,378)

[1] Expenses presented above include cost of sales, general and administrative and exploration expenses.

[2] Refinery-backed credits are used to satisfy the delivery obligations under the Franco Nevada streaming arrangement, details of which are disclosed in note 12.

(expressed in millions of U.S. dollars)

20 Impairment and related charges

	2020	2019
Las Cruces	-	(97)
Other	-	(4)
	-	(101)

Impairment of Las Cruces

Impairment indicators were identified in relation to the Las Cruces mine in the year ended December 31, 2019, following finalization of the mine plan after a land slippage occurred. A full impairment test was performed using a discounted cashflow model based on estimated future cashflows and a copper price of $2.75 per lb, consistent with market consensus. An impairment charge of $97 million was recognized against property, plant and equipment. The remaining carrying value of non-current assets is disclosed in note 23. The fair value is classified as level 3 in the fair value hierarchy (see note 24).

21 Finance costs

	2020	2019
Interest expense on financial liabilities measured at amortized cost	(729)	(756)
Finance cost accretion on deferred revenue	(64)	(64)
Accretion on restoration provision (note 11c)	(11)	(14)
Total finance costs	(804)	(834)
Less: interest capitalized (note 6)	-	549
	(804)	(285)

22 Other income (expense)

	2020	2019
Foreign exchange losses[1]	(225)	(96)
Change in restoration provision for closed properties (note 11c)	-	(8)
Share of loss in joint venture (note 9)	(45)	(11)
Other income	2	1
	(268)	(114)

[1] The majority of foreign exchange losses are unrealized and arise on translating Zambian Kwacha monetary assets, in particular VAT receivables (see note 4c), at the period end exchange rate.

23 Segmented information

The Company's reportable operating segments are individual mine development projects or mine operations. Each of the mines and development projects report information separately to the CEO, the chief operating decision maker.

The Corporate & other segment is responsible for the evaluation and acquisition of new mineral properties, regulatory reporting, treasury and finance and corporate administration. Included in the Corporate & other segment is the Company's metal marketing division which purchases and sells third party material, and the exploration projects.

(expressed in millions of U.S. dollars)

The Company's operations are subject to seasonal aspects, in particular the rain season in Zambia. The rain season in Zambia generally starts in November and continues through April, with the heaviest rainfall normally experienced in the months of January, February and March. As a result of the rain season, mine pit access and the ability to mine ore is lower in the first quarter of the year than other quarters and the cost of mining is higher.

Earnings by segment

For the year ended December 31, 2020, segmented information for the statement of earnings (loss) is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss)[1]	Income tax (expense) credit
Cobre Panama[3]	1,455	(781)	(400)	(13)	261	-
Kansanshi[2]	1,539	(828)	(247)	(119)	345	(142)
Sentinel	1,353	(729)	(261)	(96)	267	(106)
Las Cruces	332	(130)	(215)	(23)	(36)	8
Guelb Moghrein	300	(157)	(40)	(8)	95	(22)
Çayeli	64	(36)	(22)	1	7	(25)
Pyhäsalmi	46	(33)	(5)	2	10	(2)
Ravensthorpe	156	(200)	(24)	(7)	(75)	28
Corporate & other[4]	(46)	(11)	(3)	(119)	(179)	5
	5,199	(2,905)	(1,217)	(382)	695	(256)

[1] Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the year on the consolidated statement of earnings.
[2] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.
[3] Cobre Panama declared commercial production September 1, 2019. Prior to this date, revenue and development costs were capitalized.
[4] Revenue includes hedge gains recognized on forward copper sales and zero cost collar options and forward nickel sales.

For the year ended December 31, 2019, segmented information for the statement of earnings is presented as follows:

	Revenue	Cost of sales (excluding depreciation)	Depreciation	Other	Operating profit (loss)[1]	Income tax (expense) credit
Cobre Panama[3]	524	(319)	(113)	(2)	90	-
Kansanshi[2]	1,581	(865)	(244)	(76)	396	(102)
Sentinel	1,199	(771)	(252)	(39)	137	(17)
Las Cruces	291	(131)	(198)	(98)	(136)	68
Guelb Moghrein	243	(154)	(44)	(7)	38	(12)
Çayeli	95	(46)	(27)	6	28	(18)
Pyhäsalmi	90	(45)	(21)	2	26	5
Ravensthorpe	-	(32)	(6)	(1)	(39)	13
Corporate & other[4]	44	(7)	(2)	(101)	(66)	(7)
Total	4,067	(2,370)	(907)	(316)	474	(70)

[1] Operating profit (loss) less net finance costs and taxes equals net earnings (loss) for the year on the consolidated statement of earnings.
[2] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity.
[3] Cobre Panama declared commercial production September 1, 2019. Prior to this date, revenue and development costs were capitalized.
[4] Revenue includes hedge losses recognized on forward copper sales and zero cost collar options.

(expressed in millions of U.S. dollars)

Balance sheet by segment

Segmented information on balance sheet items is presented as follows:

	December 31, 2020			December 31, 2019		
	Non-current assets[1]	Total assets	Total liabilities	Non-current assets[1]	Total assets	Total liabilities
Cobre Panama[2]	11,919	12,505	3,201	12,006	12,623	3,124
Kansanshi[3]	2,488	4,052	840	2,641	3,939	923
Sentinel	2,945	3,485	488	3,056	3,633	623
Las Cruces	32	102	153	213	848	194
Guelb Moghrein	48	154	48	89	190	50
Çayeli	64	105	37	83	132	28
Pyhäsalmi	10	34	46	11	79	45
Ravensthorpe	802	963	255	710	812	173
Corporate & other[4]	1,483	2,836	9,133	1,427	2,491	8,925
Total	19,791	24,236	14,201	20,236	24,747	14,085

[1] Non-current assets include $19,468 million of property plant and equipment (December 31, 2019: $19,972 million) and exclude financial instruments, deferred tax assets, VAT receivable and goodwill.

[2] Cobre Panama is 20% owned by KPMC, a joint venture.

[3] Kansanshi Mining Plc, the most significant contributor to the Kansanshi segment, is 20% owned by ZCCM, a Zambian government owned entity. This segment includes the Kansanshi smelter.

[4] Included within the corporate segment are assets relating to the Haquira project, $692 million (December 31, 2019: $689 million), and to the Taca Taca project, $445 million (December 31, 2019: $441 million).

Capital expenditure by segment

Additions to non-current assets other than financial instruments, deferred tax assets and goodwill represent additions to property, plant and equipment, for which capital expenditure is presented as follows:

	2020	2019
Cobre Panama	267	1,082
Kansanshi	111	150
Sentinel	148	154
Las Cruces	2	24
Guelb Moghrein	10	9
Çayeli	4	6
Ravensthorpe	55	6
Corporate & other	13	24
Total	610	1,455

(expressed in millions of U.S. dollars)

Geographical information

	2020	2019
Revenue by destination[1]		
China	1,985	1,415
Singapore	615	351
Zambia	518	486
Spain	505	383
India	342	389
South Africa	247	379
South Korea	188	12
Japan	144	22
Brazil	125	-
Barbados	87	36
Bulgaria	80	31
Germany	72	29
Belgium	60	190
Egypt	52	70
Finland	49	88
Tanzania	46	-
Taiwan	44	40
Mexico	27	24
Italy	24	-
The Philippines	-	51
DR Congo	1	23
Other	36	4
Hedge gains (losses)[2]	(48)	44
	5,199	4,067

[1] Presented based on the ultimate destination of the product if known. If the eventual destination of the product sold through traders is not known, then revenue is allocated to the location of the product at the time when control passes.

[2] Relates to hedge gains (losses) recognized on forward sales and zero cost collar options.

	December 31, 2020	December 31, 2019
Non-current assets by location		
Panama	11,919	12,006
Zambia	5,422	5,685
Australia	808	716
Peru	690	686
Argentina	445	440
Spain	32	177
Mauritania	48	89
Turkey	64	83
Finland	10	11
Other	353	343
	19,791	20,236
Investments, deferred income tax assets, goodwill, restricted cash, other deposits and VAT receivable	1,337	1,360
	21,128	21,596

(expressed in millions of U.S. dollars)

24 Financial instruments

The Company classifies its financial assets as amortized cost, FVOCI or FVTPL. Financial liabilities are measured at amortized cost or FVTPL.

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2020:

	Amortized cost	Fair value through profit or loss	Fair value through OCI	Total
Financial assets				
Trade and other receivables[1]	141	583	-	724
Due from KPMC (note 8)	292	-	-	292
Derivative instruments in designated hedge relationships	-	-	3	3
Other derivative instruments[2]	-	5	-	5
Investments[3]	-	-	16	16
Financial liabilities				
Trade and other payables	762	-	-	762
Derivative instruments in designated hedge relationships	-	-	404	404
Other derivative instruments[2]	-	48	-	48
Leases	30	-	-	30
Liability to joint venture	1,327	-	-	1,327
Debt	8,323	-	-	8,323

[1] Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.
[2] Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.
[3] Investments held by the Company are held at fair value through other comprehensive income.

The following provides a comparison of carrying and fair values of each classification of financial instrument at December 31, 2019:

	Amortized cost	Fair value through profit or loss	Fair value through OCI	Total
Financial assets				
Trade and other receivables[1]	123	369	-	492
Due from KPMC (note 8)	246	-	-	246
Derivative instruments in designated hedge relationships	-	-	8	8
Other derivative instruments[2]	-	1	-	1
Investments[3]	-	-	19	19
Financial liabilities				
Trade and other payables	737	-	-	737
Other derivative instruments[2]	-	31	-	31
Leases	36	-	-	36
Liability to joint venture	1,238	-	-	1,238
Debt	8,198	-	-	8,198

[1] Commodity products are sold under pricing arrangements where final prices are set at a specified future date based on market commodity prices. Changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in commodity market prices give rise to an embedded derivative in the accounts receivable related to the provisionally priced sales contracts.
[2] Other derivative instruments related to provisionally priced sales contracts are classified as fair value through profit or loss and recorded at fair value, with changes in fair value recognized as a component of cost of sales.
[3] Investments held by the Company are held at fair value through other comprehensive income.

(expressed in millions of U.S. dollars)

Fair Values

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2020 in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts[1]	4	-	-	4
Derivative instruments – OTC contracts[2]	-	4	-	4
Investments[3]	16	-	-	16
Financial liabilities				
Derivative instruments – LME contracts[1]	24	-	-	24
Derivative instruments – OTC contracts[2]	-	428	-	428

[1] Futures for copper, nickel, gold and zinc were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.
[2] The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.
[3] The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

The following table sets forth the Company's assets and liabilities measured at fair value on the balance sheet at December 31, 2019, in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Derivative instruments – LME contracts[1]	1	-	-	1
Derivative instruments – OTC contracts[2]	-	8	-	8
Investments[3]	19	-	-	19
Financial liabilities				
Derivative instruments – LME contracts[1]	17	-	-	17
Derivative instruments – OTC contracts[2]	-	14	-	14

[1] Futures for copper, gold and zinc were purchased on the London Metal Exchange ("LME") and London Bullion Market and have direct quoted prices, therefore these contracts are classified within Level 1 of the fair value hierarchy.
[2] The Company's derivative instruments are valued by the Company's brokers using pricing models based on active market prices. All forward swap contracts held by the Company are OTC and therefore the valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates using inputs which can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy. Derivative assets are included within other assets on the balance sheet and derivative liabilities are included within provisions and other liabilities on the balance sheet.
[3] The Company's investments in marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable security multiplied by the quantity of shares held by the Company.

(expressed in millions of U.S. dollars)

Financial risk management

Credit risk

The Company's credit risk is primarily attributable to cash and bank balances, short-term deposits, derivative instruments and trade and other receivables. The Company's exposure to credit risk is represented by the carrying amount of each class of financial assets, including commodity contracts, recorded in the consolidated balance sheet.

The Company limits its credit exposure on cash held in bank accounts by holding its key transactional bank accounts with highly rated financial institutions. The Company manages its credit risk on short-term deposits by only investing with counterparties that carry investment grade ratings as assessed by external rating agencies and spreading the investments across these counterparties. Under the Company's risk management policy, allowable counterparty exposure limits are determined by the level of the rating unless exceptional circumstances apply. A rating of investment grade or equivalent is the minimum allowable rating required as assessed by international credit rating agencies. Likewise, it is the Company's policy to deal with banking counterparties for derivatives who are rated investment grade or above by international credit rating agencies and graduated counterparty limits are applied depending upon the rating.

Exceptions to the policy for dealing with relationship banks with ratings below investment grade are reported to, and approved by, the Audit Committee. As at December 31, 2020, substantially all cash and short-term deposits are with counterparties of investment grade.

The Company's credit risk associated with trade accounts receivable is managed through establishing long-term contractual relationships with international trading companies using industry-standard contract terms. 33% of the Company's trade receivables are outstanding from three customers together representing 27% of the total sales for the year. No amounts were past due from these customers at the balance sheet date. The Company continues to trade with these customers. Revenues earned from these customers are included within the Kansanshi, Sentinel, Panama and Cayeli segments. Other accounts receivable consist of amounts owing from government authorities in relation to the refund of value-added taxes applying to inputs for the production process and property, plant and equipment expenditures, prepaid taxes and amounts held in broker accounts.

Significant credit risk exposures to any single counterparty or group of counterparties having similar characteristics are as follows:

	December 31, 2020	December 31, 2019
Commodity traders and smelters (Trade receivables and other receivables)	724	492
Government authorities (VAT receivable)	362	416
	1,086	908

The VAT receivable due from government authorities includes $349 million at December 31, 2020, which is past due (December 31, 2019: $396 million). See note 4c.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk. Expected credit losses on trade and other receivables at December 31, 2020, amount to nil.

Liquidity risk

The Company manages liquidity risk by maintaining cash and cash equivalent balances and available credit facilities to ensure that it is able to meet its short-term and long-term obligations as and when they fall due. Company-wide cash projections are managed centrally and regularly updated to reflect the dynamic nature of the business and fluctuations caused by commodity price and exchange rate movements.

In addition, the Company was obligated under its corporate revolving credit and term loan facility to maintain liquidity and satisfy various covenant ratio tests on a historical cash flow basis. These ratios were in compliance during the year ended December 31, 2020, and December 31, 2019. If the Company breaches a covenant in its Financing Agreements, this would be an event of default which, if un-addressed, would entitle the lenders to make the related borrowings immediately due and payable and if made immediately due and payable all other borrowings would also be due and payable.

(expressed in millions of U.S. dollars)

The Company had the following balances and facilities available to them at the balance sheet dates:

	December 31, 2020	December 31, 2019
Cash and cash equivalents and bank overdrafts – unrestricted cash	914	523
Working capital balance[1]	1,107	994
Undrawn debt facilities (note 10)	729	388

[1] Working capital includes trade and other receivables (note 4), inventories (note 5), current prepaid expenses (note 8), current trade and other payables, current taxes payable, current leases (note 11) and current deferred revenue (note 11).

Contractual and other obligations as at December 31, 2020 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt – principal	8,012	8,061	561	2,800	2,200	2,500
Debt – finance charges	-	2,147	513	869	524	241
Trading facilities	311	311	311	-	-	-
Trade and other payables	762	762	762	-	-	-
Derivative instruments	452	452	452	-	-	-
Liability to joint venture[1]	1,327	2,387	-	-	-	2,387
Joint venture consideration	94	100	100	-	-	-
Current taxes payable	164	164	164	-	-	-
Deferred payments	50	50	5	10	10	25
Leases	30	34	9	14	6	5
Commitments	-	50	50	-	-	-
Restoration provisions	821	1,147	40	49	48	1,010
	12,023	15,665	2,967	3,742	2,788	6,168

[1] Refers to distributions to KPMC, a joint venture that holds a 20% non-controlling interest in MPSA of which the Company has joint control, and not scheduled repayments.

Contractual and other obligations as at December 31, 2019 are as follows:

	Carrying Value	Contractual Cashflows	< 1 year	1 – 3 years	3 – 5 years	Thereafter
Debt – principal	7,936	8,004	804	3,150	1,950	2,100
Debt – finance charges	-	2,014	544	901	425	144
Trading facilities	262	262	262	-	-	-
Trade and other payables	637	637	637	-	-	-
Derivative instruments	31	31	31	-	-	-
Liability to joint venture[1]	1,238	2,312	-	-	-	2,312
Joint venture consideration	182	200	100	100	-	-
Current taxes payable	141	141	141	-	-	-
Deferred payments	42	42	4	8	8	22
Leases	36	41	14	13	8	6
Commitments	-	137	137	-	-	-
Restoration provisions	699	1,103	9	81	51	962
	11,204	14,924	2,683	4,253	2,442	5,546

[1] Refers to distributions to KPMC, a joint venture that holds a 20% non-controlling interest in MPSA of which the Company has joint control, and not scheduled repayments.

(expressed in millions of U.S. dollars)

Market risks

a) Commodity price risk

The Company is subject to commodity price risk from fluctuations in the market prices of copper, gold, nickel, zinc and other elements.

As part of the hedging program, the Company has elected to apply hedge accounting for a portion of copper and nickel sales. For the year ended December 31, 2020, a fair value loss of $401 million (2019: fair value gain of $8 million) has been recognized on derivatives designated as hedged instruments through accumulated other comprehensive income and a fair value loss of $48 million (2019: fair value gain of $44 million) has been recognized through sales revenues.

For the year ended December 31, 2020, the Company had unmargined copper forward sales contracts for 152,125 tonnes at an average price of $2.86 per lb outstanding with periods of maturity to December 2021. In addition, the Company has zero cost collar unmargined sales contracts for 174,400 tonnes at weighted average prices of $2.83 per lb to $3.07 per lb outstanding with maturities to December 2021. The Company also had unmargined nickel forward sales contracts for 3,213 tonnes at an average price of $6.89 per lb outstanding with maturities to October 2021.

The Company is also exposed to commodity price risk on diesel fuel required for mining operations and sulphur required for acid production. The Company's risk management policy allows for the management of these exposures through the use of derivative financial instruments. As at December 31, 2020, and December 31, 2019, the Company had not entered into any sulphur derivatives. At December 31, 2020, the Company had entered into fuel forward contracts over 60,408,600 litres at an average price of $0.34 per litre.

The Company's commodity price risk related to changes in fair value of embedded derivatives in accounts receivable reflecting copper, nickel, gold and zinc sales provisionally priced based on the forward price curve at the end of each quarter.

Derivatives designated as hedged instruments

The Company has elected to apply hedge accounting with the following contracts expected to be highly effective in offsetting changes in the cash flows of designated future sales. Commodity contracts outstanding as at December 31, 2020, were as follows:

	Open Positions (tonnes/ozs/	Average Contract price	Closing Market price	Maturities Through
Commodity contracts:				
Copper forward	152,125	$2.86/lb	$3.51/lb	December 2021
Copper zero cost collar	174,400	$2.83 - $3.07/lb	$3.51/lb	December 2021
Nickel forward	3,213	$6.89/lb	$7.50/lb	October 2021
Fuel forward	60,408,600	$0.34/lt	$0.38/lt	April 2021

As at December 31, 2019, the following commodity contracts were outstanding:

	Open Positions (tonnes/ozs)	Average Contract price	Closing Market price	Maturities Through
Commodity contracts:				
Copper forward	30,000	$2.81/lb	$2.79/lb	June 2020
Copper zero cost collar	80,000	$2.65 - $2.91/lb	$2.79/lb	December 2020
Nickel forward	12,046	$6.77/lb	$6.35/lb	February 2021

(expressed in millions of U.S. dollars)

Other derivatives

As at December 31, 2020, and December 31, 2019, the Company had entered into the following derivative contracts for copper, gold and zinc in order to reduce the effects of fluctuations in metal prices between the time of the shipment of metal from the mine site when the sale is provisionally priced and the date agreed for pricing the final settlement.

Excluding the copper contracts noted above, as at December 31, 2020, the following derivative positions were outstanding:

	Open Positions (tonnes/ozs)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	146,677	$3.46/lb	$3.51/lb	April 2021
Gold	43,103	$1,829/oz	$1,891/oz	April 2021
Nickel	3,176	$7.55/lb	$7.50/lb	February 2021
Commodity contracts:				
Copper	146,174	$3.46/lb	$3.51/lb	April 2021
Gold	42,730	$1,829/oz	$1,891/oz	April 2021
Nickel	3,174	$7.55/lb	$7.50/lb	February 2021

As at December 31, 2019, the following derivative positions were outstanding:

	Open Positions (tonnes/ozs)	Average Contract price	Closing Market price	Maturities Through
Embedded derivatives in provisionally priced sales contracts:				
Copper	119,336	$2.71/lb	$2.79/lb	April 2020
Gold	28,333	$1,502/oz	$1,523/oz	April 2020
Commodity contracts:				
Copper	119,550	$2.71/lb	$2.79/lb	April 2020
Gold	28,336	$1,502/oz	$1,523/oz	April 2020

A summary of the fair values of unsettled derivative financial instruments for commodity contracts recorded on the consolidated balance sheet.

	December 31, 2020	December 31, 2019
Commodity contracts:		
Asset position	8	9
Liability position	(452)	(31)

(expressed in millions of U.S. dollars)

The following table shows the impact on net earnings from changes in the fair values of financial instruments of a 10% change in the copper and gold commodity prices, based on prices at December 31, 2020. There is no impact of these changes on other comprehensive income except indirectly through the impact on the fair value of investments. The impact of a 10% movement in commodity prices is as follows:

	Average contract price on December 31		Impact of price change on net earnings	
	2020	2019	2020	2019
Copper	$3.46/lb	$2.71/lb	-	1
Gold	$1,829/oz	$1,502/oz	-	-
Nickel	$7.55/lb	-	-	-

b) Interest rate risk

The majority of the Company's interest expense is fixed however it is also exposed to an interest rate risk arising from interest paid on floating rate debt and the interest received on cash and short-term deposits.

Deposits are invested on a short-term basis to ensure adequate liquidity for payment of operational and capital expenditures. To date, no interest rate management products are used in relation to deposits.

The Company manages its interest rate risk on borrowings on a net basis. The Company has a policy allowing floating-to-fixed interest rate swaps targeting 50% of exposure over a five-year period. As at December 31, 2020, and December 31 2019, the Company held no floating-to-fixed interest rate swaps.

At December 31, 2020, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

	December 31, 2020	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits, cash at bank and bank overdrafts	914	7	(7)
Floating rate borrowings drawn	2,053	(27)	27

At December 31, 2019, the impact on cash interest payable of a 100 basis point change in interest rate would be as follows:

	December 31, 2019	Impact of interest rate change on net earnings	
		100 basis point increase	100 basis point decrease
Interest-bearing deposits, cash at bank and bank overdrafts	523	7	(7)
Floating rate borrowings drawn	3,024	(9)	9

c) Foreign exchange risk

The Company's functional and reporting currency is USD. As virtually all of the Company's revenues are derived in USD and the majority of its business is conducted in USD, foreign exchange risk arises from transactions denominated in currencies other than USD. Commodity sales are denominated in USD, the majority of borrowings are denominated in USD and the majority of operating expenses are denominated in USD. The Company's primary foreign exchange exposures are to the local currencies in the countries where the Company's operations are located, principally the Zambian kwacha ("ZMW"), Australian dollar ("A$") Mauritanian ouguiya ("MRU"), the euro ("EUR") and the Turkish lira ("TRY"); and to the local currencies suppliers who provide capital equipment for project development, principally the A$, EUR and the South African rand ("ZAR").

(expressed in millions of U.S. dollars)

The Company's risk management policy allows for the management of exposure to local currencies through the use of financial instruments at a targeted amount of up to 100% for exposures within one year down to 50% for exposures in five years.

As at December 31, 2020, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities
CAD	2	3	-	2
GBP	1	-	-	7
AUD	9	4	1	52
ZMW	3	6	-	14
EUR	17	9	-	44
TRY	-	-	-	4
ZAR	3	-	-	8
MRU	-	-	-	-
Total	35	22	1	131

Based on the above net exposures as at December 31, 2020, a 10% change in all of the above currencies against the USD would result in a $7 million increase or decrease in the Company's net earnings and would result in a $nil million increase or decrease in the Company's other comprehensive income.

As at December 31, 2019, the Company is exposed to currency risk through the following assets and liabilities denominated in currencies other than USD:

	Cash and cash equivalents	Trade and other receivables	Investments	Financial liabilities
CAD	1	-	4	2
GBP	1	-	-	6
AUD	4	3	2	38
ZMW	5	4	-	11
EUR	17	24	-	47
TRY	-	-	-	6
ZAR	4	-	-	5
MRU	-	-	-	16
Total	32	31	6	131

Based on the above net exposures as at December 31, 2019, a 10% change in all of the above currencies against the USD would result in a $7 million increase or decrease in the Company's net earnings and would result in a $1 million increase or decrease in the Company's other comprehensive income.

Capital management

The Company's objectives when managing capital are to continue to provide returns for shareholders, and comply with lending requirements while safeguarding the Company's ability to continue as a going concern. The Company considers the items included in equity to be capital.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company uses a combination of short-term and long-term debt to finance its operations and development projects. Typically, floating rates of interest are attached to short-term debt, and fixed rates on senior notes.

(expressed in millions of U.S. dollars)

25 Commitments & contingencies

Capital commitments

The Company has committed to $50 million (December 31, 2019: $137 million) in capital expenditures.

Other commitments & contingencies

Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. The Company is routinely subject to audit by tax authorities in the countries in which it operates and has received a number of tax assessments in various locations, including Zambia, which are currently at various stages of progress with the relevant authorities. The outcome of these audits and assessments are uncertain however the Company is confident of its position on the various matters under review.

Panama constitutional proceedings

In February 1996, the Republic of Panama and Minera Panama SA ("MPSA"), now a Panamanian subsidiary of the Company, entered into a mining concession contract in respect of the Cobre Panama project.

On February 26, 1997, Contract-Law No. 9 ("Law 9") was passed by the Panamanian National Assembly. Law 9 granted the status of national law to the mining concession contract, establishing a statutory legal and fiscal regime for the development of the Cobre Panama project. On December 30, 2016, the Government of Panama signed and issued Resolution No. 128 by which it extended the mining concession contract held by MPSA for a second 20-year term commencing March 1, 2017 up to February 28, 2037. The Company remains eligible for consideration of a third 20-year term of the MPSA mining concession contract commencing March 1, 2037.

In September 2018, the Company became aware of a ruling of the Supreme Court of Panama ("Supreme Court") in relation to the constitutionality of Law 9. The Company understands that the ruling of the Supreme Court with respect to the constitutionality of Law 9 relates to the enactment of Law 9 and does not affect the legality of the MPSA mining concession contract itself, which remains in effect, and allows continuation of the development and operation of the Cobre Panama project by MPSA.

In respect of the Supreme Court ruling on Law 9, which remains subject to various procedural processes, the Company notes the following:

The ruling is not yet in effect.

The Supreme Court decision was in respect of ongoing legal filings made since 2009 with regard to specific environmental petitions.

In reviewing the process of approval of Law 9 of 1997, the Supreme Court found that the National Assembly had failed to consider whether Law 9 complied with applicable legislation at the time, namely Cabinet Decree 267 of 1969.

The applicable Cabinet Decree of 1969, which was repealed in 1997 by Law 9, required the Ministry of Commerce and Industry ("MICI") to issue a request for proposals before awarding the Law 9 mining concession.

The Attorney General of Panama has provided two formal opinions favourable to the constitutionality of Law 9 as required in this type of proceedings by Panamanian law.

The Supreme Court ruling did not make a declaration as to the annulment of the MPSA mining concession contract.

Subsequently, MPSA has submitted filings to the Supreme Court for ruling, which it has accepted, prior to the ruling in relation to the constitutionality of Law 9 taking effect. On September 26, 2018, the Government of Panama issued a news release affirming support for Cobre Panama. The release confirmed that MICI considers that the MPSA mining concession contract, and its extension, remains in effect in all its parts while the Company seeks to clarify the legal position. (The MICI release is available at www.twitter.com/MICIPMA/status/1044915730209222657).

The current Government of Panama, inaugurated on July 1, 2019, has established a multidisciplinary high-level commission including the Minister of Commerce and Industries (mining regulator), Minister of Environment, and Minister of Employment to discuss the Law 9 matter and seek resolution. Based on support from the Government of Panama, the Chamber of Commerce and Industries of Panama, the Panamanian Mining Chamber, other Panamanian business and industry chambers and its legal advice, the Company is confident of resolving the Law 9 matter in the near-medium term.

(expressed in millions of U.S. dollars)

Kansanshi minority partner

In October 2016, the Company, through its subsidiary Kansanshi Holdings Limited, received a Notice of Arbitration from ZCCM International Holdings PLC ("ZCCM") under the Kansanshi Mining PLC ("KMP") Shareholders Agreement. ZCCM is a 20% shareholder in KMP and filed the Notice of Arbitration against Kansanshi Holdings Limited ("KHL"), the 80% shareholder, and against KMP. The Company also received a Statement of Claim filed in the Lusaka High Court naming additional defendants, including the Company, and certain directors and an executive of the named corporate defendants. Aside from the parties, the allegations made in the Notice of Arbitration and the High Court for Zambia were the same. The Company is firmly of the view that the allegations are in their nature inflammatory, vexatious and untrue.

The dispute was stated as a request for a derivative action, requiring ZCCM to obtain permission to proceed in each forum of the Arbitration and the Lusaka High Court. The dispute arose from facts originating in 2007, and concerned the rate of interest paid on select deposits by KMP with the Company. The deposits were primarily retained for planned investment by KMP in Zambia. In particular, KMP deposits were used to fund a major investment program at Kansanshi, including the successful construction and commissioning of the Kansanshi smelter and expansion of the processing plant and mining operations. The entirety of the deposit sums has been paid down from the Company to KMP, with interest. The interest was based on an assessment of an arm's length fair market rate, which is supported by independent third-party analysis. ZCCM disputed that interest rate paid to KMP on the deposits was sufficient.

In July 2019, the Arbitral Tribunal issued a final award in favour of KMP. The parties have reached an agreement on costs, in total exceeding US$1 million payable by ZCCM, bringing this particular matter to an end.

In parallel, several preliminary procedural applications to dismiss the High Court Action were lodged on behalf of the Company, and other defendants, in the Lusaka High Court. By a decision dated January 25, 2018, the Lusaka High Court used its discretion to rectify ZCCM's procedural errors. The Court granted leave to the Company, FQM Finance, a wholly-owned subsidiary of the Company, and the individual defendants to appeal against this decision and the litigants have agreed to a stay pending the appeal. The appeal hearing took place on November 21, 2018, with submissions made by all parties. The Court of Appeal delivered judgment on January 11, 2019, dismissing the appeal. An appeal to the Supreme Court of Zambia was heard on April 24, 2019, and has been dismissed. The High Court was scheduled to resume hearing two further procedural applications, including whether ZCCM is allowed to maintain the derivative action. However, before these hearings could take place the defendants brought an application requesting dismissal of the case on grounds of abuse of process/ res judicata, on the basis that the action cannot be allowed to continue for risk of producing conflicting judgment from the London arbitration, which has already adjudicated the facts of this particular complaint. ZCCM objected to the defendants' application. ZCCM also tried to bring an application to set aside the registration of the Arbitral award in Zambia. The defendants' resisted this application. Both applications had an oral hearing in October 2019.

However, after the October 2019 hearing, ZCCM pursued a challenge to the registration of the Arbitral Award on grounds that it was not enforceable because it had complied with the costs payment order of the Arbitral Award. KMP opposed ZCCM's challenge and made submissions to the Registrar that an Arbitration Award is eligible for registration despite compliance with costs orders. On February 13, 2020, the Registrar accepted KMP's position and dismissed ZCCM's challenge to the registration of the Arbitration Award. Accordingly, the Lusaka High Court proceeded to rule on the abuse of process application. By way of a ruling dated March 23, 2020, the Lusaka High Court agreed with KMP's application that the process, if it were to be allowed to continue before it, would risk conflicting judgements and would be res judicata. Accordingly, ZCCM's derivative action case was dismissed, with costs awarded to KMP against ZCCM. On April 6, 2020, ZCCM sought permission to appeal to the Court of Appeal on grounds that the High Court judge erred in fact and in law. KMP objects to the appeal, and the matter remains pending. The Court of Appeal has delivered its judgment on January 13, 2021, dismissing all grounds of appeal with the exception of one ground raised by the ZCCM-IH and awarded costs to the Defendants. With regards to the remaining ground, the Court of Appeal held that the determination of this ground of appeal would be inconsequential as the matter should have been determined earlier than now and Is therefore now moot. On 9 February 2021, ZCCM sought leave to appeal the decision of the Court of Appeal to the Supreme Court of Zambia. The defendants challenge the leave application.

In addition, on November 11, 2019, Kansanshi Holding Ltd (KHL) filed a UNCITRAL Rules based Request for Arbitration against ZCCM and KMP (as Nominal Respondent) in connection with a Cash Management Services Agreement dated August 19, 2019. KHL seeks a declaration that the CMSA is an arm's length contract. The CMSA provides for cash management services whereby KMP would deposit with the Group's treasury subsidiary certain of its cash balances for management by FQML's treasury function. All cash managed and deposited is callable on demand by KMP and attracts commercial interest rates. Under the shareholder agreement between the Group and ZCCM, related party transactions are required to be on arms' length basis. This arbitration was held virtually in a hearing between October 19 to 23, 2020. On February 15, 2021, the Tribunal issued a Partial Final Award regarding contractual requirements for arm's length transactions. The partial decision is being reviewed and the parties await the Tribunal's subsequent directions in respect of the remaining issues.

(expressed in millions of U.S. dollars)

26 Post balance sheet events

Dividend declared

The Company has declared a final dividend of CAD$0.005 per share, in respect of the financial year ended December 31, 2020. The final dividend together with the interim dividend of CAD$0.005 per share is a total of CAD$0.01 per share for the 2020 financial year.

Sale of Mopani

On January 19, 2021, Glencore announced that its subsidiary Carlisa Investments Corp. ("Carlisa") has signed an agreement with ZCCM Investments Holding plc ("ZCCM") to transfer its 90% interest in Mopani Copper Mines plc ("Mopani") to ZCCM. The Company owns 18.8% of Carlisa resulting in an effective ownership interest of 16.9% in Mopani.

Completion of the sale is conditional on receipt of regulatory approvals in Zambia and approvals of both shareholders and the board of directors of ZCCM.