



# QUARTERLY REPORT

FOR THE THREE MONTHS ENDING  
30 DECEMBER 2009

MMG GROUP PRODUCTION DATA				
	OCT-DEC 09	OCT-DEC 08	JAN-DEC 09~	JAN - DEC 08~
ORE MINED (TONNES)	3,112,354	2,911,681	12,443,288	10,976,142
ORE MILLED (TONNES)	1,772,233	3,138,525	10,278,172	11,798,157
TOTAL ZINC METAL* (TONNES)	55,906	206,515	471,282	738,410
TOTAL COPPER CATHODE** (TONNES)	18,124	16,156	67,561	64,075
TOTAL COPPER METAL* (TONNES)	10,401	2,607	33,665	20,529
TOTAL GOLD METAL*** (OUNCES)	43,348	49,644	167,292	171,502
TOTAL SILVER METAL*** (OUNCES)	1,242,093	3,751,568	5,456,176	10,377,245
TOTAL LEAD METAL* (TONNES)	7,837	32,480	47,428	98,391

\* Contained metal in concentrate. \*\*Stripped copper cathode. \*\*\*Contained metal in doré and concentrate.

- While 12 months of production data is shown for comparison purposes the business was under the operation of MMG for the June-December 2009 period only. The mines were owned by OZ Minerals in the 2008 comparative periods.

## PRODUCTION REVIEW

MMG achieved record copper production in the December quarter and annually for 2009. Copper cathode production was 12% higher with 18,124 tonnes than the December 2008 quarter and 5% higher with 67,561 tonnes for the year at Sepon following the commissioning of the second autoclave in the copper plant in March 2009. Copper metal in concentrate production was significantly higher with 10,401 tonnes produced in the December quarter and 63% higher for the year with 33,665 tonnes for the year. This was the result of the copper focused mine plan at Golden Grove and good continued production at Rosebery. Total mining performance for the group was excellent at 3,112,354 tonnes for the quarter, 6% higher, and 12,443,288 tonnes for the year, 11% higher. These results were fuelled by strong mining performance at Sepon, Rosebery and Century.

Zinc production for the quarter was impacted by the failure of the Century pipeline on 5 October 2009 and the subsequent concentrate production shutdown. Following repairs and installation of a bypass, the pipeline was recommissioned and production resumed on 23 December 2009. While zinc production was impacted, the volume of concentrate stored at Karumba at the time of the incident allowed the mine to continue loading export vessels until early November 2009. This limited disruption to Century's shipping schedule to 59 days of the 79 day production shutdown.

Annual gold production was in line with the previous year while lead and silver were impacted by the Century incident.

## BUSINESS REVIEW

In its first Quarterly Report MMG outlined the five strategic areas of focus that underpin its mission to maximise returns by discovering, acquiring, developing and sustainably operating resources projects around the world. In the past quarter MMG has achieved the following in each area:

### Growth

- Mr Mike Nossal appointed Executive General Manager Business Development.
- US\$60.4 million Sepon copper expansion project announced to increase nameplate production from 65,000 to 80,500 tonnes per annum.
- Second joint venture agreed with Golden Cross Resources on their Gilgunnia Range tenements in the metal-rich Cobar basin in NSW.
- Continued to progress work including review of the draft environmental impact statement on Dugald River.
- Izok Lake scoping study approved for pre-feasibility in 2010.

### Operations

- US\$3.7 million announced for design and construction of a flotation desliming circuit at Sepon to improve pyrite recovery.
- US\$24 million announced to design and construct a new tailings facility, with 15 year capacity, at Golden Grove.
- Progressed work on construction of the second powerline into the Sepon operations to mitigate power supply failure.

### People

- Mr John Lamb appointment General Manager Rosebery following previous role as General Manager Century. Mr Karl Spaleck appointed General Manager Century following previous role as Deputy General Manager Century.

### Business Excellence

- SAP implemented at Golden Grove.

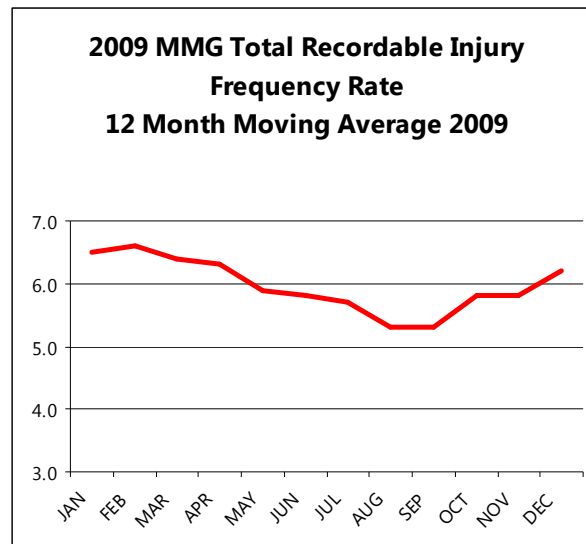
### Reputation

- MMG formalised its membership and admittance to the International Council on Mining and Metals committing to the ICMM's Sustainable Development Framework.

## SAFETY AND HEALTH

During the quarter MMG initiated a number of programs that will form the basis of its safety and injury prevention management. In the coming months, the company will rebrand its safety and health program under the banner 'Stop & Think', encouraging all employees to take the time to think about the job they are about to do, the potential risks and hazards and the impact of an injury or fatality. As part of this, a set of injury prevention principles were developed late last year to achieve a vision of 'Zero Harm and Fatality Free'. These principles were developed to help guide employees' thoughts, behaviours and decisions to achieve an injury free working environment.

Following a review in the September Quarter conducted by DuPont, a leading adviser of safety systems and processes, MMG recently confirmed their appointment to roll out leadership training across the business in 2010. A new category of safety incidents was introduced during the quarter to enable a better assessment of fatal risk potential. Incidents with this potential are now categorised as High Fatality Potential Incidents.



During the quarter, 39 recordable injuries were experienced while the injury frequency rate ended the year at 6.2, achieving stable safety performance. This rate measures the number of total recordable injuries over a rolling 12-month period, per million man hours worked.

Significant management effort was directed at safety leading up to and following the establishment of MMG to ensure our safety performance did not deteriorate during this period. MMG's challenge is to drive an improvement in safety performance across the MMG business.

## ENVIRONMENT

MMG was pleased to complete the upgrade of the mine water treatment system at Golden Grove during the quarter which resolved previous issues with mine water discharge. As a result of this upgrade Golden Grove recorded no elevated levels of cadmium, a naturally occurring mineral in the mine, in mine water discharge during the period.

At Century, initial works were undertaken during the quarter to upgrade the site water management system. These improvements included the construction of Sediment Dam 10 and the capping of the South West Waste Rock Dump, aimed at reducing the generation of contaminated mine water and improving the capture and control of mine water discharge across the sites.

In early October, the failure of the Century pipeline resulted in an uncontrolled discharge of zinc slurry on a pastoral property. A thorough clean up and remediation plan was prepared for approval by the Department of Environment and Resource Management and implemented on the pastoral property where the discharge occurred. Final rehabilitation work at the site will be completed at the end of the wet season and ongoing monitoring will be undertaken to ensure the integrity of the clean up.

During the December Quarter MMG experienced two environmental exceedences as a direct result of mining operations. These occurred at Golden Grove where elevated readings of sulphate and total dissolved solids were recorded in a bore near a tailings storage facility. A review of this is currently underway to address it.

Eleven environmental license exceedences were also identified at the Pelican's Inn accommodation property, leased by Century for use by employees and contractors at its Century port facility at Karumba. On two occasions monitoring of the Sewerage Treatment Plant, which Century recently took over the certificate of registration for, at the property identified concentrations of a number of parameters that exceeded the release limits defined in the conditions of the development permit. A specialist has been engaged to determine the cause of the problem and develop a permanent solution.

## COMMODITY PRICES, MARKETING AND SALES

The strength of base metal prices seen in the June-September period continued during October-December, exceeding expectations. Zinc, copper and lead prices were the strongest, closing on 31 December at, or close to, their cash highs for the year at US\$2,570, US\$7,346, and US\$2,395 per tonne respectively, well above their closing prices at the end of the September.

The steady rise in prices was driven by continued US dollar weakness and steady flows of investor funds into metals over the period. Copper received an added boost in the period due to uncertainties over the result of labour negotiations in Chile.

LME stocks once again rose steadily in copper, zinc, lead, and nickel, with prices seemingly ignoring the stock increases. There were signs of some leveling out of stock levels at the very end of the period. The impact of the Century shutdown cannot be underestimated as an influence on zinc stocks. With Century's mine life currently set to end at around 2015 MMG will review development of the Dugald River zinc project, with capacity of 200,000 tonnes of zinc metal per annum, as an alternative feed to global zinc supply.

Investors maintain long term bullishness in metals, and continue to have confidence in global economic recovery over the longer term and in China's growth prospects and in its ability to absorb metals to support that growth.

Strong demand in India and China pushed spot Treatment Charge Refining Charges (TCRCs) for copper concentrates to single digits during the period, benefiting Golden Grove copper concentrate sales. The copper concentrate deficit and resulting strong spot market has also enabled mines to achieve significantly lower frame contract TCRCs for 2010, compared to 2009.

Following announcements during the quarter by Codelco of increases in their benchmark copper metal premiums throughout Asia for 2010, improved terms were agreed late in the period for 2010 contract sales of Sepon cathode into regional markets, predominantly Thailand and Vietnam. Steps were taken during the period to commence work on the process for LME registration of Sepon Copper Cathode.

Good demand from China kept the zinc concentrate market tight throughout 2009, notwithstanding production cutbacks at many western world smelters. Chinese demand for imported concentrate softened towards the end of the quarter but further growth in smelting capacity in China, and recovering Western World smelter metal production should result in healthy concentrate demand throughout 2010.

The failure of the Century pipeline in October and the cessation of shipments to customers in November once concentrate stocks at Karumba were depleted was clearly the major factor impacting Century sales in the period. MMG worked closely with its major customers to minimise the impact of the outage as best as possible and plan for recommencement of shipments for the earliest possible time in 2010 following the resumption of production at the concentrator in late December.

While some correction of metal prices in early 2010 from their year-end highs is likely, associated with possible tighter monetary policy in China and lending restrictions to reduce inflationary risk, MMG expects increasing demand from China from continuing fiscal stimulus to fuel good metal demand through 2010 and considers that a sustainable recovery has commenced in several key industrialised economies.

Increased metal production capacity in copper and zinc in China will maintain the requirement for concentrate imports. Expansion of the power grid, a strong automobile sector and increasing requirements for consumer goods will continue to be important drivers of metal demand. Although much of the metal price increases in 2009 were driven by investment funds appetites for hard assets, support for prices is likely to be maintained across 2010 as improvements in real demand for metals starts to take hold in 2010.

## OPERATIONS

### CENTURY

Century production was impacted by the failure of the transport pipeline resulting in a 79 day concentrate production shutdown and the reduced mine plan implemented to achieve operational cost efficiencies in 2009. Zinc production was 29% lower for the year with a total of 360,659 tonnes of zinc metal in concentrate produced due to the shutdown and a reduction in mine plan to achieve cost efficiencies throughout the period.

During the shutdown, mining operations continued to successfully stockpile nearly 1,080,000 tonnes of ore. As a result, when production recommenced on 23 December, the concentrator was able to ramp back up to full capacity in a number of days.

Opportune maintenance works were also undertaken in the concentrator including significant works completed on the Semi-Autogenous Grinding (SAG) mill motor, ball mill motor and gearbox, and work on the primary crusher. These arrangements enabled MMG to utilise its total workforce without standing anyone down whilst the pipeline was out of operation.

During the period Century's concentrate transfer vessel, the *MV Wunma* was deployed for a period to Xstrata's McArthur River Mine port at Bing Bong, in the Northern Territory to assist with concentrate shipments there. MMG was pleased to be able to assist in this way, having used Xstrata's own transfer vessel the *MV Aburri* at Karumba on a number of occasions.

The North Wall failure area, previously identified, continued to be a high priority for bench drawdown prior to the wet season. Successful negotiations were completed with local Indigenous representatives on development of a cut-back on the south-west pit wall which will allow safe access to ore impacted by a South West Wall failure.

Production has now returned to full capacity with 30,500 dry metric tonnes of zinc concentrate shipped since restart on the 23 December.

Production guidance for 2010 is 500,000-510,000 tonnes of zinc metal in concentrate and 25,000-30,000 tonnes of lead metal in concentrate.

CENTURY PRODUCTION STATISTICS				
CONTAINED METAL	OCT-DEC 09	OCT-DEC 08	JAN-DEC 09	JAN - DEC 08
ZINC (TONNES)	17,953	125,333	360,569	513,571
LEAD (TONNES)	505	18,864	16,277	56,387
SILVER (OUNCES)	110,737	1,902,821	779,759	4,178,964

### GOLDEN GROVE

At Golden Grove copper production was significantly higher for the quarter with 9,716 tonnes and 66% for the year at 30,835 tonnes. These results reflect the decision made in December 2008 to place the Scuddles mine on care and maintenance and alter the Gossan Hill mine plan to focus on copper over zinc production.

Annual copper production is slightly below guidance due to the unplanned maintenance required on the SAG mill during the year. The focus on copper production also led to lower annual production of lead and silver, associated with zinc ore.

Work on the second tailings storage facility commenced following Board approval with safety and environmental management plans now completed. Contractors have been mobilised to the site where land clearing has been substantially completed, the haul road constructed and site facility set up complete.

Production guidance for 2010 is 30,000-32,000 copper metal in concentrate and 80,000-85,000 tonnes of zinc metal in concentrate.

<b>GOLDEN GROVE PRODUCTION STATISTICS</b>				
<b>CONTAINED METAL</b>	<b>OCT-DEC 09</b>	<b>OCT-DEC 08</b>	<b>JAN-DEC 09</b>	<b>JAN – DEC 08</b>
<b>COPPER (TONNES)</b>	9,716	2,098	30,835	18,467
<b>ZINC (TONNES)</b>	16,527	59,825	56,961	139,900
<b>LEAD (TONNES)</b>	1,225	5,662	4,355	13,330
<b>GOLD (OUNCES)</b>	6,892	14,647	29,095	47,755
<b>SILVER (OUNCES)</b>	425,351	1,116,298	1,381,161	3,157,837

## **ROSEBERY**

Annual zinc production was 4% higher at Rosebery. Zinc production was also higher for the quarter, due to advances made in two lenses of the ore body and additional ore tonnes being delivered to make up for lower head grade in this part of the mine.

In addition to strong annual zinc production, annual copper, gold and silver production was also higher. Ore mined was up 14% to 191,618 tonnes on the previous year reflecting access to the lower reaches of the Rosebery ore body as a result of the Horizons drilling program previously undertaken. A new deep drilling program was announced in July 2009 to identify areas below the current ore body for future development.

The raise bore drilling program, commenced in July 2009, continued through the quarter. This program will create an additional ventilation shaft to deliver fresh air to the deeper reaches of the mine.

Production guidance for 2010 is 83,000-87,000 tonnes of zinc metal in concentrate and 23,000-25,000 tonnes of lead metal in concentrate.

Avebury mine remained under care and maintenance for the quarter while undertaking a technical and economic review. Further scope of work has been developed for 2010 to optimise the business.

<b>ROSEBERY PRODUCTION STATISTICS</b>				
<b>CONTAINED METAL</b>	<b>OCT-DEC 09</b>	<b>OCT-DEC 08</b>	<b>JAN-DEC 09</b>	<b>JAN – DEC 08</b>
<b>ZINC (TONNES)</b>	21,426	21,357	88,826	84,939
<b>LEAD (TONNES)</b>	6,107	7,954	26,796	28,674
<b>COPPER (TONNES)</b>	685	509	2,830	2,062
<b>GOLD (OUNCES)</b>	6,827	7,446	33,161	30,675
<b>SILVER (OUNCES)</b>	681,817	722,055	3,089,098	2,984,502

## **SEPON COPPER**

At Sepon copper production was 12% higher than the December 2008 quarter as a result of increased current efficiency from the previous quarter with more emphasis on hot spot detection. Full year results also demonstrated consistent growth in copper production meeting forecasts with total copper produced for the year 67,561 tonnes. This reflects the additional capacity in the copper plant delivered by the commissioning of the second autoclave in early 2009. Annual ore mined was 35% higher than the previous at 2,418,409 tonnes.

In late August the MMG Board approved recommencement of the project to bring a second powerline into the site to deliver cheaper unit power, reduce line losses and mitigate operational risk due to power supply failure. Work continued during the quarter with nearly half the transmission towers and a quarter of the conductors erected. Work commenced on the copper expansion project.

Mining continued to optimise the Khanong North and South Ridges and copper sales were strong for the quarter.

Production guidance for 2010 is 67,000-70,000 tonnes of copper cathode.

<b>SEPON COPPER PRODUCTION STATISTICS</b>				
<b>CATHODES</b>	<b>OCT-DEC 09</b>	<b>OCT-DEC 08</b>	<b>JAN-DEC 09</b>	<b>JAN – DEC 08</b>
<b>COPPER (STRIPPED TONNES)</b>	18,124	16,156	67,561	64,075

## **SEPON GOLD**

Similar to Sepon copper, gold production was also higher at Sepon with a 7% increase on the December 2008 quarter. Higher head grade and steady recovery helped achieve this result. Annual gold production was 11% higher than the previous year at 105,036 ounces.

Mining continued at Houay Yeng during the period with ore from the pit of a high grade. Mining at Dankoy commenced in Pit A and B.

Production guidance for 2010 is 95,000-100,000 ounces of gold.

<b>SEPON GOLD PRODUCTION STATISTICS</b>				
<b>POURED GOLD</b>	<b>OCT-DEC 09</b>	<b>OCT-DEC 08</b>	<b>JAN-DEC 09~</b>	<b>JAN – DEC 08</b>
<b>GOLD (OUNCES)</b>	29,629	27,551	105,036	93,072
<b>SILVER (OUNCES)</b>	7,185	10,394	33,155	55,942

## **DEVELOPMENT PROJECTS**

### **SEPON COPPER EXPANSION**

In late October the MMG Board approved the recommencement of the Sepon copper expansion project, a US\$60.4 million project to expand production capacity to an annual nameplate capacity of 80,500 tonnes of copper cathode. Documentation deliverables and purchase orders are now complete and the team will be mobilised to site during January and February 2010.

### **DUGALD RIVER**

Geological interpretations continue at Dugald River and a review of the draft Environmental Impact Statement is underway.

### **IZOK LAKE**

Recognising that the key challenge to successfully developing the Izok deposit is moving the concentrates to market from this remote part of Canada with little infrastructure, a fresh approach was taken to solving these issues. The resulting scoping study was completed in December 2009 and produced a material improvement in financial return. The outcome was presented to the MMG board who endorsed moving the project to the next phase with a pre-feasibility study scheduled for 2010.

## **EXPLORATION PROJECTS**

### **NEAR MINE EXPLORATION**

#### **Century**

The US\$5.5 million, 18-month diamond drilling program announced last year continued until December when it was halted for the wet season. Scout drilling of near-mine targets continued throughout the quarter with vein style quartz-sphalerite-galena mineralisation intersected over two 20 metre intervals at one target. Assays are pending.

## **Golden Grove**

Surface diamond drilling has commenced targeting the area south of the Xantho ore body at Gossan Hill. Targeted mineralisation is at a depth of 1800 metres.

Development to establish an underground drilling platform to target the area south of the Amity ore body has commenced.

## **Rosebery**

Drilling commenced on the Jupiter prospect in the Rosebery mining lease and will continue in 2010. Drilling is designed to intersect the Jupiter horizon approximately 200 metres vertically below existing mineralised intercepts.

## **Sepon Copper**

Resource definition drilling continued at Thengkhamb South, returning oxide copper results in line with the existing resource model. Better intersections include 11 metres at 1.5% copper and 7.1 metres at 0.5% copper, 0.9% gold. Excellent drill results were returned from Thengkhamb North including 35 metres at 5.0% copper and 1.23 g/t gold from 52 metres. This is from a geotechnical hole drilled in 2007. A portion of this intercept is from primary mineralisation below the pit design, and indicates high grade potential beneath the planned open pit.

Exploration drilling included a drill hole on a conceptual copper-molybdenum target at Padan Hill which was completed to a depth of 600 metres, intersecting trace chalcopyrite and molybdenite.

## **Sepon Gold**

Infill drilling on the margins of the Khanong pit returned encouraging intersections including 42 metres at 7.14 g/t gold from 30 metres, 43 metres at 2.6 g/t gold and 2.2% copper from 28 metres and 24 metres at 2.7 g/t gold and 0.2% copper from 7 metres. These followed up on previously identified oxide gold mineralisation, and will likely expand the existing gold resource. A preliminary resource model for Khanong was subsequently completed. Metallurgical test results indicate good gold recoveries.

Exploration drilling continued on oxide gold targets with some encouraging gold results including 31 metres at 1.6 g/t gold at the Houay Pong prospect and 6 metres at 3.9 g/t gold at the Phabing prospect. Additional holes are planned at Houay Phavat and Phabing and a new program designed at Thengkhamb North.

Sterilisation drilling at Phavat North identified a small area of oxide gold mineralisation at surface (around 20,000 tonnes at 1.4 g/t for around 900 ounces of gold).

## **Avebury**

Drilling continued at the Denali prospect, 5 kilometres west of Avebury mine following up on a previous intersection.

## **GREENFIELD EXPLORATION**

### **China**

In-house technical reviews were conducted. Joint venture terms for the Erlanhaote nickel project in Inner Mongolia were agreed with a local partner.

### **Indonesia**

In Sulawesi reconnaissance surface sampling and geological mapping continued as did work to convert exploration licences to IUP's (new Indonesian Mining Law exploration tenements).



In Java three drill holes totalling 1,000 metres are proposed at the Randu Kuning prospect. These will target soil and magnetic anomalies potentially associated with porphyry copper mineralisation.

At the Wia Wia laterite nickel project on Sulawesi, resource definition drilling continued with a total of 312 holes for 5,558 metres completed and bulk samples from 10 pits collected for metallurgical test work.

### **Canada**

Exploration activities centered on assessing results received during the August field programs. The programs focused on the High Lake East prospect 20 kilometres south-east of the High Lake deposit with mapping and prospecting to follow up the high grade rock chip samples found in 2008. Combined with geophysical survey results, interpretation led to a number of drill targets being identified for 2010.

No field work was undertaken at Izok Lake this year; however a review of previous work resulted in new interpretations and several high priority drill targets defined for 2010.

### **Australia**

Drilling was undertaken in the Cobar Basin at the Wagga Tank copper-zinc prospect where some intervals of minor vein-related copper and zinc mineralisation were observed. Assays are pending. An airborne electromagnetic survey commenced and will be completed in January.

## **CORPORATE DETAILS**

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### **EXECUTIVE COMMITTEE**

- Andrew Michelmore, Chief Executive Officer
- Mike Nossal, Executive General Manager Business Development
- David Lamont, Chief Financial Officer
- Brett Fletcher, Chief Operating Officer
- Steve Ryan, Executive General Manager Exploration
- Tim Scully, Executive General Manager Business Support
- Mark Liu, Executive Director

### **STATEMENT OF COMPETENT PERSONS**

Within this statement references to resources and exploration results have been approved for release by Mr S Ryan BSc (Hons), MAusIMM who is a competent person as defined by the JORC Code (2004). He has consented to the inclusion of the material in the form and context in which it appears.