WE MINE FOR PROGRESS

2012 ANNUAL REPORT

MMG

Cover: Replanting activities at Sepon, Laos.
This page: Processing plant at Rosebery, Australia.

OUR STORY

As the tides of global progress change and old certainties fade, someone has to step up, prepared to keep humanity moving forward with the courage to forge new partnerships and explore new frontiers.

That someone is us.

We are MMG and we stand for progress, proud that what we do turns opportunities into global reward.

We believe in the spirit of exploration, discovery and relentless improvement, building the next generation of mining company with integrity, ensuring better, safer and more prosperous lives for communities.

Indeed, we believe it's for humanity's progress that we mine.

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2012 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Revenue increase of 12% reflects solid sales volumes, despite lower commodity prices, driven by record production at Sepon and Century and additional sales from Kinsevere.

OPERATIONAL EFFICIENCIES AND DISCIPLINED COST MANAGEMENT RESULT IN UNDERLYING EBITDA(i) OF US$853.2 MILLION, A 1% INCREASE COMPARED TO 2011.

Higher depreciation and amortisation, correlated to mining activity, results in underlying EBIT(i) of US$405.6 million, a 25% decrease compared to 2011.

Market capitalisation:

US$2.18 BILLION

As at 31 December 2012

Underlying profit(ii) of US$217.5 million, 29% lower than in 2011.

Net cash generated from operating activities of US$655.3 million.

Following the acquisition of Anvil Mining Limited (Anvil), the gearing ratio was 0.46 as at 31 December 2012.

MMG has not declared a dividend for the period given the focus on creating long-term shareholder value through investment in growth.

Note: These highlights should be read in the context of the full 2012 Annual Report.

(i) Underlying measures of earnings before interest and tax (EBIT) and earnings before interest, tax, depreciation and amortisation (EBITDA) exclude the impact (before tax) of significant non-recurring items. EBITDA is reconciled to underlying EBITDA on page 54.

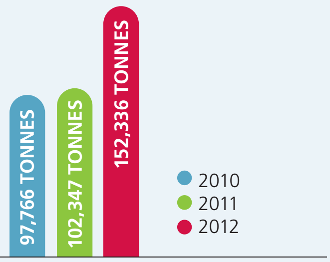
(ii) Underlying measures of profit exclude the impact (after tax) of significant non-recurring items. Profit is reconciled to underlying profit on page 54.

OPERATIONAL HIGHLIGHTS

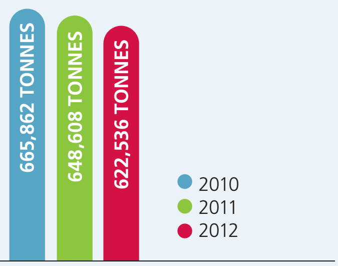
Productivity improvements drove annual production records at three of MMG's five operating sites with operating expenses well managed amid industry-wide cost pressures, particularly in Australia.

Successful integration and ramp-up to nameplate capacity on an annualised basis for Kinsevere following the February 2012 acquisition of Anvil.

Total copper production:



Total zinc production:



Board endorsement of the A$1,488 million Dugald River project supporting MMG's long-term zinc strategy, subject to the finalisation of financing arrangements.

Positioned to benefit from economic growth resulting from industrialisation and modernisation of developing economies, particularly in Asia.

SUSTAINABILITY HIGHLIGHTS[iii]

Alignment with the International Council on Mining and Metals (ICMM) Ten Sustainable Development Principles and review and revision of the Group Safety, Health, Environment and Community (SHEC) Strategy.

Health and safety:

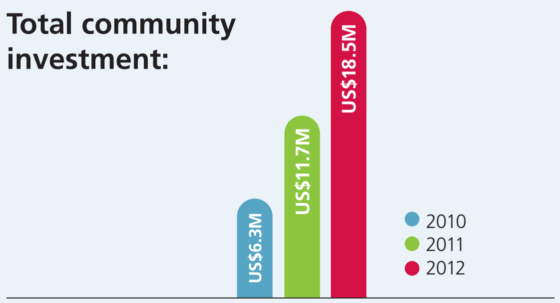
A 27% REDUCTION IN THE TOTAL RECORDABLE INJURY FREQUENCY RATE TO 3.0.[iv]

Total employees and contractors worldwide:

10,100

People: 96% local workforce at Sepon and more than 22% Indigenous employment at Century.

Total community investment:

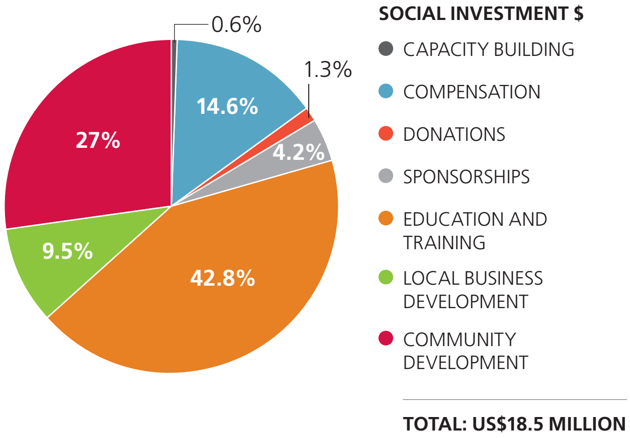


Environment: Final Environmental Authority, setting out licence conditions for the Dugald River project, was received from the Queensland Department of Environment and Heritage Protection.

Economic sustainability:

APPROXIMATELY US$18.5 MILLION INVESTED IN HOST COMMUNITIES IN A RANGE OF TARGETED SOCIAL INVESTMENT PROJECTS.

2012 Total community investment division of spend per category:



Community: Community Relations Management System evolved, closure planning processes advanced, and a child health partnership in Laos launched with UNICEF.

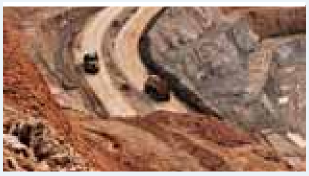
(iii) At the time of announcement and publication, the figures represented in the Sustainability Highlights were still in the process of being independently assured for the MMG 2012 Sustainability Report.

(iv) The frequency rate: number of injuries or illnesses for the required indicator x 1,000,000 / total exposure hours. This figure includes employees and contractors.

MAP OF OPERATIONS

KINSEVERE
2012 PRODUCTION

Copper cathode (t)	36,048
REVENUE	US$279.9M
EBIT	US$60.4M



GOLDEN GROVE
2012 PRODUCTION

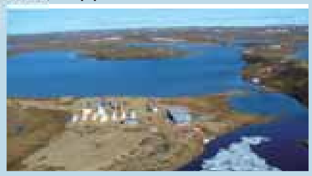
Copper in copper concentrate (t)	28,406
Zinc in zinc concentrate (t)	37,419
Lead in lead concentrate (HPM)(t)	5,344
REVENUE	US$392.9M
EBIT	US$35.8M

ROSEBERY
2012 PRODUCTION

Copper in copper concentrate (t)	1,587
Zinc in zinc concentrate (t)	70,410
Lead in lead concentrate (HPM)(t)	20,146
REVENUE	US$267.5M
EBIT	US$59.2M

OPERATIONS
DEVELOPMENT PROJECTS
SUSPENDED OPERATION
ACTIVE EXPLORATION REGION
CORPORATE OFFICES
EXPLORATION OFFICES
SALES ROUTES

IZOK CORRIDOR
LOCATION
Nunavut, Canada
TARGET METALS
Zinc, copper, lead, silver



SEPON
2012 PRODUCTION

Copper cathode (t)	86,295
Gold (oz)	70,275
REVENUE	US$806.2M
EBIT	US$410.9M

CENTURY
2012 PRODUCTION

Zinc in zinc concentrate (t)	514,707
Lead in lead concentrate (t)	21,390
REVENUE	US$752.9M
EBIT	US$48.3M

DUGALD RIVER
LOCATION
Queensland, Australia
TARGET METALS
Zinc, lead, silver

COMPANY OVERVIEW

MMG Limited (the Company or MMG) is a mid-tier global resources company that explores, develops and mines base metal deposits around the world. It is headquartered in Melbourne, Australia, and listed on The Stock Exchange of Hong Kong Limited (Stock Code: 1208).

HISTORY

Minerals and Metals Group was formed in June 2009 following the purchase of the majority of assets of OZ Minerals Limited by CMC through its subsidiary China Minmetals Non-ferrous Metals Company Limited (CMN).

In December 2010, Minerals and Metals Group was acquired by Minmetals Resources Limited (Minmetals Resources) a subsidiary of CMC and listed on The Stock Exchange of Hong Kong Limited (Stock Code: 1208).

In September 2012, Minmetals Resources changed its registered English company name to MMG Limited.

TIMELINE

JULY 1988

Minmetals Resources is incorporated in Hong Kong. Its focus is commodities trading and fabrication.

DECEMBER 1994

Minmetals Resources is listed on The Stock Exchange of Hong Kong Limited under Stock Code 1208.

JUNE 2009

Minerals and Metals Group is formed.

Minerals and Metals Group is formed following CMC's acquisition of the majority of OZ Minerals Limited's assets through CMC's subsidiary CMN. This includes the Century, Golden Grove, Rosebery and Sepon mines; the Dugald River and Izok Corridor development projects; and a range of exploration tenements. Minerals and Metals Group is 100% owned by CMN.

MMG stands for progress – from pursuing day-to-day achievements, building communities and driving growth, to producing the minerals and metals that advance all humanity.

The Company benefits from an experienced international management team and the support of its majority shareholder China Minmetals Corporation (CMC).

MMG currently owns and operates the Lane Xang Minerals Limited (LXML) Sepon mine in Laos, the Kinsevere mine in the Democratic Republic of Congo (DRC) and the Century, Rosebery and Golden Grove mines in Australia.

MMG's development projects include Dugald River, a high-grade zinc-lead-silver deposit in north-west Queensland, Australia, and the Izok Corridor base metals project in Nunavut, north-west Canada.

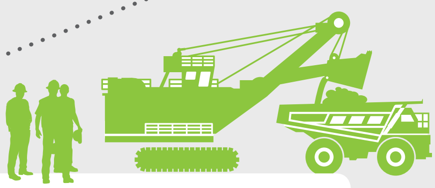
MMG also has significant exploration projects and partnerships in Australia, Africa and the Americas.

The Company is one of the world's largest producers of zinc and also produces significant amounts of copper, lead, gold and silver.

MMG is committed to achieving long-term sustainable growth and shareholder value. It aligns itself with international best practice in sustainability and, as an ICMM member, benchmarks its performance against the sustainability criteria of the ICMM's Sustainable Development Framework.

MMG is also a member of the Minerals Council of Australia, the Mining Association of Canada, the Chamber of Mines of the DRC and other regional industry organisations.

DECEMBER 2010



Minmetals Resources acquires Minerals and Metals Group. Approximately 72% of shares in Minmetals Resources are owned by CMN, and 28% are owned by the public.

APRIL 2011

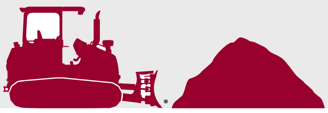
STOCK CODE: 1208

Minmetals Resources issues 762,612,000 ordinary shares to independent third parties and 1,560,000,000 ordinary shares to CMN following the conversion by CMN of perpetual sub-ordinated convertible securities (PSCS).

SEPTEMBER 2011

Minmetals Resources conditionally divests the trading, fabrication and downstream businesses to CMN in order to focus on its upstream base metals assets. The divested assets, predominantly located in China, included Minmetals Aluminium Co. Ltd. (Minmetals Aluminium), North China Aluminium Co. Ltd. (NCA), Yingkou Orienmet Plica Tube Company Limited (Yingkou Orienmet) and Changzhou Jinyuan Copper Co., Ltd. (Changzhou Jinyuan) and their respective subsidiaries. The sales of MMA and NCA were completed in December 2011 and the sales of Yingkou Orienmet and Changzhou Jinyuan were completed in May 2012.

FEBRUARY 2012



Minmetals Resources acquires Anvil, which includes the Kinsevere mine and Mutoshi project in the DRC.

SEPTEMBER 2012

MMG WE MINE FOR PROGRESS

Minmetals Resources changes its registered English company name to MMG Limited.

BOARD

Chairman
Mr Wang Lixin

Executive Director
Mr Andrew Michelmore

Executive Director
Mr David Lamont

Non-executive Director
Mr Jiao Jian

Non-executive Director
Mr Xu Jiqing

Non-executive Director
Mr Gao Xiaoyu

Independent Non-executive Director
Dr Peter Cassidy

Independent Non-executive Director
Mr Anthony Larkin

Independent Non-executive Director
Mr Leung Cheuk Yan

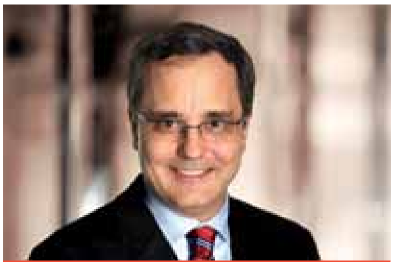
For directors' biographies please refer to pages 58 to 60 »

EXECUTIVE COMMITTEE

Mr Andrew Michelmore
Chief Executive Officer

Mr David Lamont
Chief Financial Officer

- Finance
- Legal
- Marketing and sales
- Stakeholder and investor relations
- Risk management
- Strategic business performance



Mr Marcelo Bastos
Chief Operating Officer

- Operations
- Operational excellence
- Technical services

Mr Michael Nossal
Executive General Manager – Business Development

- Business strategy
- Business development
- Project delivery
- Mergers and acquisitions

Mr Steve Ryan
Executive General Manager – Exploration

- Exploration
- Project generation
- Geoscience
- Resources and Reserves

Mr Tim Scully
Executive General Manager – Business Support

- Human resources
- Safety, health, environment and community
- Information technology
- Shared business services
- Supply chain

For Executive Committee members' biographies please refer to pages 58 to 61 »

OUR BELIEF

We believe it's for humanity's progress that we mine.

We venture where others wouldn't, courageously exploring, discovering and developing the Earth's opportunities into better lives for the world's communities.

For us progress means many things:

- It's the everyday progress that employees make – each contributing to our ultimate goal.
- It's the opportunities for personal progress – diversifying skill sets, attempting new challenges and striving for continuous improvement and development.
- It's the progress that provides real and lasting benefits to the communities in which we operate; and
- It's humanity's progress as the world develops and evolves using the metals we produce.

CORPORATE STRUCTURE

MMG's major Shareholder is CMN (a subsidiary of CMC), which indirectly owned approximately 72% of shares in MMG as at 31 December 2012 with the remaining 28% of shares held by public Shareholders including global resources and investment funds.

Water sampling at the Dugald River development project, Australia.

OUR STRENGTHS

OUR PEOPLE

Our story as a global mining company is built on our people. It is their diverse cultures and experiences, skills and knowledge that deliver success.

We work in a positive culture characterised by a commitment to teamwork. Our guiding belief is expressed in the phrase 'we mine for progress'.

This phrase captures our pride in the contribution of mining and our belief that the progress of humanity depends on the metals we produce. The phrase also informs our approach to work and our relationships with communities, stakeholders and the public.

OUR MAJOR SHAREHOLDER – CHINA MINMETALS CORPORATION

The stability, size and insights of CMC provide a competitive advantage for our Company.

As a major metals and minerals company, CMC provides a unique insight into global commodity demand. The relationship allows MMG to draw upon networks and extensive distribution and marketing channels in China's base metals market.

In an industry where lead times can extend for years and even decades, CMC brings a solid financial foundation, balance sheet flexibility, access to Chinese financial institutions and a long-term investment view. As a significant miner and commodity trader, CMC also brings the benefit of technical skills and cross-cultural awareness.

Above all, MMG's relationship with CMC is based on trust and confidence. Our international leadership team has the delegated authority from MMG's Board to manage day-to-day operations in line with best practice.

OUR VALUES

We are proud of how we work and our values of safety, integrity, action and results. These values underpin our Code of Conduct and form the basis of all MMG's business activities and relationships.

OUR DISCIPLINE FOR DELIVERING UPON COMMITMENTS

We do what we say we will do. We deliver on our commitments and communicate with integrity and transparency.

OUR COMMITMENT TO WELL-MANAGED PRODUCING ASSETS

We are committed to operating our assets in a safe, efficient and cost-effective manner. We constantly seek to improve those assets by identifying bottlenecks and opportunities for greater efficiency.

OUR MIX OF BASE METALS COMMODITIES

A suite of base metals can reduce our exposure to commodity price fluctuations.

OUR APPROACH TO EXPLORATION

Our long-term approach to exploration allows us to grow the Company through boom/bust resource cycles. We focus approximately 70% of our exploration programs on near-mine exploration, enabling us to extract the greatest value out of our existing assets.

OUR DISCIPLINED APPROACH TO GROWTH

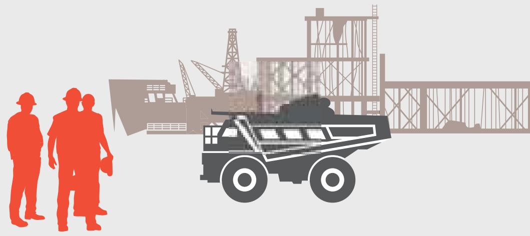
When assessing mergers, acquisitions and development opportunities our ultimate goal is to create long-term value for shareholders.

OUR RESPONSIBILITY FOR SUSTAINABILITY

We take our responsibilities seriously in relation to the communities where we operate and the countries in which we do business. Our intention is to work collaboratively with these stakeholders to bring them sustainable economic and social benefits.

VISION AND STRATEGY

Employee at Kinsevere, Democratic Republic of Congo.



OUR OBJECTIVE IS TO BE RECOGNISED AS ONE OF THE TOP THREE MID-TIER MINING COMPANIES.

OUR VISION

To build the next generation's leading global diversified minerals and metals company.

OUR MISSION

To maximise our returns by discovering, acquiring, developing and sustainably operating resources projects around the world.

OUR OBJECTIVE

To be recognised as one of the top three mid-tier mining companies.

OUR FINANCIAL OUTCOMES

To deliver consistent and sustainable shareholder value.

To be recognised as an industry leader delivering strong financial outcomes.

OUR VALUES

Safety: We believe that no task is so important that it cannot be done safely – we always stop and think.

Integrity: We honour our commitments and always behave in line with our values.

Action: We always act in a way that contributes to the success of our business.

Results: We deliver on our objectives through planning and innovation.

STRATEGY

The Company's long-term strategy is to grow and develop its upstream, diversified base metals operations through exploration and discovery, organic growth and acquisition.

The Company's corporate strategy is focused on increasing shareholder value through:

» identifying opportunities to extract additional potential from its existing assets.

» pursuing organic growth opportunities through its projects and exploration pipelines.

» pursuing external growth such as targeting value-focused acquisitions.

Asset utilisation improvements at Century extract additional potential from the operation.

CHAIRMAN'S REVIEW

Wang Lixin
Chairman

"With a strong leadership team and growing portfolio of base metals assets and growth optionality created through our project pipeline, I believe that MMG is strategically positioned to generate and sustain shareholder value."

MMG partners with UNICEF to address zinc and micronutrient deficiencies in children in Laos.

Dear Shareholder

I am pleased to report that MMG achieved encouraging business performance in 2012, with record production results at three out of five operations.

Total revenue for 2012 was US$2,499.4 million, a 12% increase from 2011, driven by record production at Sepon and Century, and additional sales from Kinsevere. These higher sales were, however, offset by lower commodity prices, with copper and zinc prices 10% and 11% lower respectively compared to 2011. The Group generated US$853.2 million in underlying EBITDA, 1% above 2011. Underlying profit was US$217.5 million, 29% lower than in 2011.

MMG invested in a number of one-off initiatives in 2012, aimed at improving the future reliability, performance and, ultimately profitability of our assets. These included additional ground support at Rosebery, pipeline upgrade and maintenance at Century, Golden Grove's restructure of its mining activities and the installation and use of back-up diesel generators at Kinsevere. The Group focused on improving operational efficiency in 2012 which included initiatives in business improvement, procurement and asset utilisation that resulted in immediate benefits. Asset utilisation across the Group improved 5% on average during 2012. These improvements reflect higher throughputs leading to increased production, positively impacting the Group's financial performance. The focus on asset utilisation will continue in 2013 with particular emphasis on Kinsevere.

MMG was not immune to industry-wide cost pressures throughout the year, however our financial results demonstrate our disciplined approach to cost management.

In February 2012, MMG completed the acquisition of Anvil and its Kinsevere copper cathode operation in the DRC. The Anvil acquisition is an important one for MMG as it substantially increases the Group's copper exposure, extends the average life of mine and provides a sound platform for further development, exploration and expansion in the mineral-rich region of Southern Africa.

Following the acquisition of Anvil, MMG's gearing ratio was 0.46 as at 31 December 2012.

The Board also endorsed the development and construction of the Dugald River zinc, lead and silver mine subject to final financing arrangements. Dugald River will play a significant role in MMG's future and demonstrates our confidence in the long-term outlook for zinc. The project is expected to be commissioned in 2015.

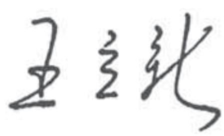
Reflecting broader economic and market conditions, the salaries of the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have not been increased, with the total remuneration payment for the CEO and CFO for 2012 below 2011 outcomes. Following a workplace fatality at Sepon in February, all members of the Executive Committee received a zero outcome on the safety component of the short-term incentive payment. The Sepon management team was similarly impacted on the safety component but over a different period for both site and Group performance. The short-term incentive payments for all other participants were also reduced due to the fatality, but by a smaller proportion than that applied for executives. This action, taken by the Executive Committee, recognises the role management plays in the delivery of MMG's safety performance.

During 2012, MMG was pleased to welcome Mr Leung Cheuk Yan to the Board. Mr Leung brings experience in law, corporate finance and global capital markets. His expertise is welcomed through his contribution to the Company's Audit Committee, Remuneration and Nomination Committee and the Board. The Board also farewelled Mr Hao Chuanfu, Mr Loong Ping Kwan and Mr Li Liangang. On behalf of the Board I extend our gratitude to them for their outstanding service as directors of the Company.

Reflecting on our future outlook, we remain confident in sustainable levels of economic growth in the medium term. The completion of political leadership changes and positive economic data from the US and China have provided greater stability to commodity markets. We expect that the industrialisation and modernisation of developing economies, particularly in Asia, will sustain the demand for commodities in the long term.

With a strong leadership team and growing portfolio of base metals assets and growth optionality created through our project pipeline, I believe that MMG is strategically positioned to generate and sustain shareholder value.

I would like to take this opportunity to thank my fellow Board members for their dedication and commitment to the success of this business. I would also like to extend my gratitude to our shareholders for their continued loyalty and look forward to furthering the Company's vision of building the next generation's leading global diversified minerals and metals company.



Wang Lixin
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Andrew Michelmore
Chief Executive Officer

> "Operational performance across our sites was pleasing with a 49% increase in copper production to a total of 152,336 tonnes of copper from 2011."

Dear Shareholder

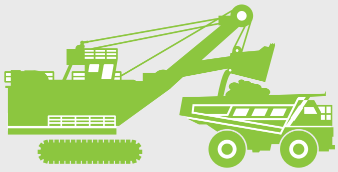
The year 2012 was focused on operational efficiency as we faced the challenge of volatile commodity prices and increased input cost pressures.

Tragically, an incident at our Sepon operation in Laos claimed the life of a contractor in early 2012. No fatality is acceptable, and on behalf of the Board, I offer our sincere condolences to the family, friends and colleagues of the deceased. During the year we recognised safety as our first value and further developed Safety, Health, Environment and Community Management Systems and leadership. At MMG, our overall health and safety vision is a 'zero harm and fatality-free' workplace and we continue to work towards this vision.

Our total recordable injury frequency rate (TRIFR) at the end of 2012 was 3.0 per million hours worked, which was a 27% improvement compared to 4.1 at the end of 2011. Our lost time injury frequency rate (LTIFR) was 0.7, the same as recorded in 2011.

Operational performance across our sites was pleasing with a 49% increase in copper production to a total of 152,336 tonnes of copper from 2011. This increase was driven by consistent strong performance at Sepon and the ramp-up of Kinsevere. While MMG achieved annual record production at Century, total zinc production for the Company was 622,536 tonnes of zinc in 2012. This was 4% below 2011 mainly due to lower planned zinc production at Golden Grove.

Underground operations at Golden Grove, Australia.



Cost pressures continue to be a characteristic of our industry and MMG has worked hard over recent years to pursue opportunities to improve efficiency. We will continue to drive improvements through our operational excellence program in 2013.

Following the purchase of Anvil in February, we worked on integrating the Kinsevere operation into our business and progressed the ramp-up to original design nameplate capacity. This was achieved during December when the operation achieved nameplate capacity on an annualised basis. The December quarter also saw a quarterly production record of 12,210 tonnes of copper cathode. In the first ten months of operation, Kinsevere contributed US$279.9 million to total Group revenue with an EBITDA margin of 47%.

At the same time, we continued to progress our Izok Corridor development project in Nunavut, Canada. Work began on the project feasibility study to define and optimise a single investment option. An important milestone was achieved in August 2012 with the delivery of the Project Proposal to the Nunavut Impact Review Board which initiated the permitting process with regulators.

We also continued our exploration program investing a total of US$77.3 million in 2012. In line with previous years, the major proportion of expenditure focused on mine district exploration aimed at sustaining and expanding current Reserves and increasing the mine life of existing assets. The 2012 mine district program provided us with a good return on investment with positive results around Sepon, Rosebery, Golden Grove and Izok Corridor. We also established a Southern African exploration hub following the acquisition of Kinsevere.

I am also pleased to announce that in September 2012, we formally changed our Company's English name from Minmetals Resources Limited to MMG Limited. This represented an important milestone to our people as it aligned our assets, already operating as 'MMG', with our registered company name.

The Company name change was part of a larger project to define our shared Company belief. After 12 months and much discussion with our employees at our operations and offices, our workforce decided that we shared a belief in 'progress'.

For us, progress extends from the contribution of individual employees, to the progress of our business, and to the progress of the communities in which we operate. Ultimately, we believe that the work that we do and the metals we produce contribute to society's evolution and advancement. This can be summed up in our company's motto, 'we mine for progress' and we approach our work with this goal in mind.

In December 2012, MMG and Newcrest Mining Limited formalised a partnership with Monash University to support the establishment of a new mining school in Melbourne, Australia. The School of Mining and Resources Engineering will be the first mining school in the state of Victoria and will have a total output of 60 students per annum once fully operational. Our support of this mining school seeks to address a shortage of mining engineers globally that is expected to continue for the duration of this decade.

MMG remains committed to the highest standards of sustainability. In 2012 we continued work on our program to align MMG's activities to the International Council on Mining and Metals membership requirements, including its ten sustainable development principles.

In 2012 we made good progress on the principles relating to good business practices, human rights, risk management, biodiversity, responsible product use and community development. We will continue to build on this over the course of the three-year alignment program.

We also launched an innovative international partnership with UNICEF to target zinc and other micronutrient deficiencies in children worldwide. In November 2012, MMG, UNICEF and the Lao Ministry of Health launched the first program under this partnership: the 1000 Day Project to improve child nutrition in Laos.

I am proud of the progress of our Company as it has evolved and strengthened. On behalf of the MMG management team, I look forward to continuing to drive this business towards our goal of being recognised as one of the top three mid-tier base metals companies.

Finally, I would like to thank our workforce for their continued hard work and belief in our Company. I would also like to thank our Shareholders and the local communities in which we operate for their ongoing support.

Andrew Michelmore
Chief Executive Officer

SEPON

OVERVIEW

Sepon is an open-pit copper and gold-mining operation in southern Laos.

LXML is the registered name of the company that owns and operates Sepon. MMG owns 90% of LXML and the Lao Government owns the other 10%.

SAVANNAKHET
PROVINCE
LAOS

COPPER

The Sepon copper operation commenced production in 2005.

Sepon produces copper cathode using a whole-of-ore leach, solvent extraction and electrowinning (SX-EW) process.

In early 2011 the copper expansion project increased annual nameplate production capacity from 65,000 tonnes to 80,000 tonnes of copper cathode.

Copper cathodes are transported via road and sea to manufacturers of cable, wire and tube in south-east Asia.

Sepon's copper cathode is classified as Copper – Grade A brand by the London Metal Exchange (LME), eligible for delivery to LME-approved warehouses.

GOLD

Sepon produces gold doré using a conventional carbon-in-leach process. Sepon first produced gold in December 2002 with the gold processing facility expanded in 2005 doubling capacity to 2.5 million tonnes of ore per annum.

Gold doré bars are transported by air freight to a refinery in Australia where they are refined into gold bullion and sold at the spot gold price.

Sepon is currently undertaking a pre-feasibility study to evaluate options for processing its primary gold resource.

2012 REVIEW

YEAR ENDED 31 DECEMBER	2012	2011	CHANGE %
PRODUCTION:			
Ore mined (tonnes)	3,778,465	3,372,065	12
Ore milled (tonnes)	4,270,548	3,621,665	18
Copper cathode (tonnes)	86,295	78,860	9
Gold (ounces)	70,275	74,485	(6)
Silver (ounces)	33,311	39,817	(16)
PAYABLE METAL IN PRODUCT SOLD:			
Copper (tonnes)	85,150	79,508	7
Gold (ounces)	67,400	71,128	(5)
Silver (ounces)	33,441	37,993	(12)

YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION	CHANGE %
Revenue	806.2	816.9	(1)
Operating expenses	(313.9)	(285.8)	10
EBITDA(i)	491.4	529.4	(7)
Depreciation and amortisation	(80.5)	(58.1)	39
Operating profit (EBIT)	410.9	471.3	(13)
EBITDA margin	61%	65%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

Sepon delivered a strong, consistent operating performance in 2012, with annual copper cathode production of 86,295 tonnes exceeding original design nameplate capacity by 8%. Annual records were achieved in copper production and sales.

The 7% increase in copper cathode sales in 2012 was offset by a decrease in the average realised copper price, resulting in a 1% decrease in revenue. In addition, higher average realised gold prices were offset by lower sales volumes.

Operating expenses increased by US$28.1 million (10%) compared to 2011 mainly due to increased production.

Depreciation and amortisation increased by US$22.4 million (39%) due to increased mining activity.

KINSEVERE

OVERVIEW

The Group acquired Anvil in February 2012, a company listed on the Toronto Stock Exchange.

The key asset of Anvil was the Kinsevere open-pit copper mine located in the Katanga Province of the DRC, Africa. Kinsevere uses simple low-cost mining methods to extract a resource of very high quality.

Production at Kinsevere commenced using a heavy media separation plant in 2007. The heavy media separation plant was placed on care and maintenance in 2011, upon completion of stage two of the project. Kinsevere stage two included construction of an SX-EW plant. This plant was originally designed to produce 60,000 tonnes of copper cathode per annum.

Kinsevere produces copper cathode which is sold under a life-of-mine sales agreement.

KATANGA PROVINCE
DEMOCRATIC REPUBLIC OF CONGO

2012 REVIEW

YEAR ENDED 31 DECEMBER[i]	2012	2011	CHANGE %
PRODUCTION:			
Ore mined (tonnes)	797,164	–	N/A
Ore milled (tonnes)	923,849	–	N/A
Copper cathode (tonnes)	36,048	–	N/A
PAYABLE METAL IN PRODUCT SOLD:			
Copper (tonnes)	35,698	–	N/A

YEAR ENDED 31 DECEMBER[i]	2012 US$ MILLION	2011 US$ MILLION	CHANGE %
Revenue	279.9	–	N/A
Operating expenses	(149.2)	–	N/A
EBITDA[ii]	131.1	–	N/A
Depreciation and amortisation	(70.7)	–	N/A
Operating profit (EBIT)	60.4	–	N/A
EBITDA margin	47%	–	

(i) MMG acquired Kinsevere following the acquisition of Anvil. Production and sales data is shown from 1 March 2012. The financial result of Kinsevere has been consolidated from 17 February 2012.

(ii) EBITDA includes revenue, operating expenses and other income and expense items.

Kinsevere made an important contribution of US$279.9 million (11%) to total Group revenue in the year ended December 2012 with an EBITDA margin of 47%.

Production in 2012 was impacted by sudden and unexpected network-wide power supply disruptions which impacted mine ramp-up. These disruptions resulted in the rescheduling of mining operations and a reduction in ore mining as there was inadequate power to ramp up production to the designed nameplate capacity. Temporary diesel generators were installed at the end of June to provide a stable back-up power source, aimed at improving plant reliability and performance.

Kinsevere successfully attained nameplate capacity on an annualised basis during December, the result of continuous ramp-up.

Total operating expenses in 2012 of US$149.2 million include US$16.3 million relating to the use of back-up generators and the associated use of diesel.

OPERATIONAL REVIEW

CENTURY

OVERVIEW

Century is Australia's largest open-pit zinc mine, located in north-west Queensland.

Century comprises two sites – the mine and processing operation at Lawn Hill, and associated concentrate dewatering and ship-loading facilities at the Karumba Port, on the Gulf of Carpentaria.

Century produces zinc and lead concentrate using conventional open-pit mining, grinding and flotation methods.

Concentrates are sold to smelters in Europe, Australia and Asia. Century zinc concentrate is highly valued by zinc smelters because of its low iron content, enabling smelters to produce minimal amounts of iron-containing by-products that can pose retreatment and disposal problems.

Century began operations in 1999 and the last production from the open pit is expected in 2016. MMG is continuing to examine options to utilise existing Century infrastructure post-2016.

Century is undertaking a scoping study to further investigate potential to process phosphate. The program will also include further drilling to evaluate a number of zinc-lead-silver targets on the Century mine and adjacent MMG exploration tenements.

QUEENSLAND
AUSTRALIA

2012 REVIEW

YEAR ENDED 31 DECEMBER	2012	2011	CHANGE %
PRODUCTION:			
Ore mined (tonnes)	5,204,013	5,217,470	0
Ore milled (tonnes)	5,413,520	5,297,721	2
Zinc in zinc concentrate (tonnes)	514,707	497,250	4
Lead in lead concentrate (tonnes)	21,390	26,536	(19)
PAYABLE METAL IN PRODUCT SOLD:			
Zinc (tonnes)	443,562	419,250	6
Lead (tonnes)	21,850	25,112	(13)
Silver (ounces)	48,392	123,895	(61)

YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION	CHANGE %
Revenue	752.9	750.4	0
Operating expenses	(476.1)	(443.0)	7
EBITDA[(i)]	283.6	293.0	(3)
Depreciation and amortisation	(235.3)	(176.8)	33
Operating profit (EBIT)	48.3	116.2	(58)
EBITDA margin	38%	39%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

Century demonstrated a solid operating and financial performance in 2012 with costs well managed and controlled. An increased focus on productivity and efficiency improvements contributed to increased throughputs and asset utilisation during the period with Century achieving an annual MMG production record of 514,707 tonnes of zinc in zinc concentrate in 2012. This production performance was achieved despite a major scheduled outage occurring in the third quarter of 2012.

The major scheduled outage involved the replacement upgrade of some sections of the 304-kilometre underground slurry pipeline which transports concentrate from the mine to ship-loading facilities at the Karumba Port.

Zinc sales increased by 6% compared to 2011; however, higher sales volumes were offset by a decrease in average realised prices. As a result, revenue for 2012 was flat when compared with 2011.

Total operating expenses increased by US$33.1 million (7%) compared to 2011. The increase was primarily driven by increased volumes, although US$5.2 million of the increase was attributable to the major pipeline works.

Depreciation and amortisation increased by US$58.5 million compared to 2011. The increase was driven by the recognition of an additional US$127.1 million in rehabilitation and restoration assets in December 2011 (resulting in a higher amortisation expense in 2012) and was also impacted by higher production measures during the year.

OPERATIONAL REVIEW
ROSEBERY

OVERVIEW

Rosebery is an underground polymetallic base metal mine located in the township of Rosebery, on the west coast of Tasmania, Australia.

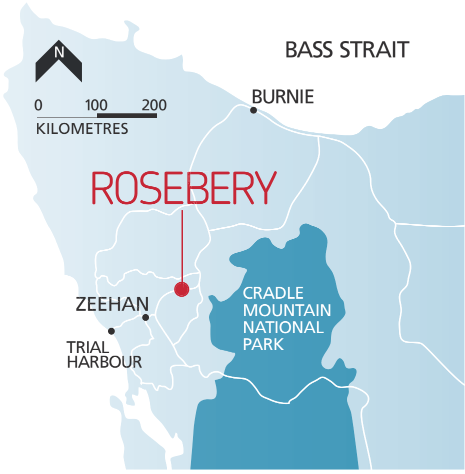
It has operated continuously since 1936 and produces zinc, lead and copper concentrate and gold doré using mechanised underground mining methods and crushing, grinding and flotation processing methods.

The polymetallic nature of the ore body enables a significant relative cost advantage as sale of by-products reduces overall costs.

Rosebery concentrates are transported to the Port of Burnie by rail where they are shipped in bulk carriers to smelters in Hobart and Port Pirie.

Gold doré bars are sold to a refinery in Australia where they are refined into gold bullion.

TASMANIA
AUSTRALIA



2012 REVIEW

YEAR ENDED 31 DECEMBER	2012	2011	CHANGE %
PRODUCTION:			
Ore mined (tonnes)	856,957	779,447	10
Ore milled (tonnes)	812,595	788,411	3
Copper in copper concentrate (tonnes)	1,587	1,826	(13)
Zinc in zinc concentrate (tonnes)	70,410	80,670	(13)
Lead in lead concentrate (HPM, tonnes)	20,146	25,352	(21)
PAYABLE METAL IN PRODUCT SOLD:			
Copper (tonnes)	2,129	983	117
Zinc (tonnes)	62,283	70,906	(12)
Lead (tonnes)	22,282	23,068	(3)
Gold (ounces)	31,136	24,857	25
Silver (ounces)	2,356,691	1,720,599	37

YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION	CHANGE %
Revenue	267.5	272.5	(2)
Operating expenses	(182.8)	(153.1)	19
EBITDA[(i)]	85.7	108.6	(21)
Depreciation and amortisation	(26.5)	(21.8)	21
Operating profit (EBIT)	59.2	86.8	(32)
EBITDA margin	32%	40%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

Rosebery reported a solid operating performance in 2012 with a 10% increase in ore mined following upgrades to the mobile fleet and ventilation system in 2011.

Revenue was 2% lower in 2012 due to lower zinc and lead sales at lower average realised prices compared to 2011. Lower revenue received for zinc and lead was largely offset by higher copper, gold and silver shipments.

Zinc sales were 12% lower than in 2011 and consistent with the 13% decrease in production. Mining activity was temporarily restricted in the third quarter 2012 due to a seismic event in the mine. Normal production resumed at the end of the third quarter 2012 following rehabilitation work and an upgrade of the previous ground support regime at the underground mine.

Operating expenses were US$29.7 million (19%) higher than in 2011 mainly due to increased mining activity and risk-mitigating actions following the seismic event. Higher costs associated with contractors and consumables increased operating expenses in 2012 by US$8.4 million and US$9.5 million respectively.

Depreciation and amortisation was US$4.7 million (21%) higher than in 2011 due to increased mining activity.

OPERATIONAL REVIEW

GOLDEN GROVE

OVERVIEW

Golden Grove is a base and precious metals mine located in Western Australia's mid-west, approximately 450 kilometres north-east of Perth and 280 kilometres east of Geraldton.

The site commenced operations in 1990. It comprises the Scuddles and Gossan Hill underground mines and the Copper Oxide Open Pit operation above Gossan Hill, which delivered its first ore in the third quarter 2012.

Golden Grove produces zinc concentrate, copper concentrate and a high precious metals (HPM) concentrate using sub-level open stoping and open-pit mining methods. The ore is processed using a crushing, grinding and flotation process and the concentrate is then transported via truck to the Port of Geraldton.

Golden Grove concentrates are exported to smelters in China, Korea, Japan, India and Thailand. Golden Grove zinc and copper concentrates are recognised in the marketplace as having reasonably low impurities and being relatively easy to process.

Golden Grove HPM concentrate contains valuable levels of gold, silver, lead and copper.

WESTERN AUSTRALIA
AUSTRALIA

2012 REVIEW

YEAR ENDED 31 DECEMBER	2012	2011	CHANGE %
PRODUCTION:			
Ore mined (tonnes)	1,918,341	1,705,622	12
Ore milled (tonnes)	1,668,080	1,566,510	6
Copper in copper concentrate (tonnes)	28,406	21,661	31
Zinc in zinc concentrate (tonnes)	37,419	70,687	(47)
Lead in lead concentrate (HPM, tonnes)	5,344	7,482	(29)
PAYABLE METAL IN PRODUCT SOLD:			
Copper (tonnes)	25,873	26,303	(2)
Zinc (tonnes)	37,575	59,961	(37)
Lead (tonnes)	7,847	3,380	132
Gold (ounces)	31,041	17,434	78
Silver (ounces)	1,809,062	1,006,089	80

YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION	CHANGE %
Revenue	392.9	388.5	1
Operating expenses	(324.3)	(276.2)	17
EBITDA[(i)]	67.9	101.6	(33)
Depreciation and amortisation	(32.1)	(48.3)	(33)
Operating profit (EBIT)	35.8	53.3	(33)
EBITDA margin	17%	26%	

(i) EBITDA includes revenue, operating expenses and other income and expense items.

The focus at Golden Grove in 2012 was to strategically review and position the operation to ensure sustainable long-term profitability. The strategic review included analysis of forecast production, grade and metal prices against current and projected costs across the operation. As a result, Golden Grove restructured its operation to focus on the mining of the new Copper Oxide Open Pit and the need for less ore from underground operations.

Revenue in 2012 was 1% higher than in 2011 due to increased HPM sales, which include revenue in lead, gold and silver. Zinc sales volumes were 37% lower than in 2011, in line with lower production. Average realised zinc prices declined compared to 2011, also negatively impacting revenue. Copper sales volumes were 2% lower in 2012 in comparison to a 31% increase in copper in copper concentrate production. The first shipment of copper concentrate from the recently commissioned Copper Oxide Open Pit is expected to occur in 2013.

Despite lower zinc and lead concentrate production, development of the Copper Oxide Open Pit resulted in a 12% increase in ore mined and a 6% increase in ore milled compared to 2011.

Operating expenses were US$48.1 million (17%) higher compared to 2011 due to the strategic review, commissioning costs associated with the Copper Oxide Open Pit and increased production. The Golden Grove strategic review and commissioning costs of the Copper Oxide Open Pit resulted in a non-recurring impact to operating expenses of US$19.9 million. Productivity and efficiency improvements led to improved cost performance towards the end of 2012.

Depreciation and amortisation was US$16.2 million (33%) lower than in 2011 primarily due to the extension in the mine life, and an upward revision in Ore Reserves in late 2011 to incorporate the Copper Oxide Open Pit.

DEVELOPMENT PROJECTS

Aerial view of the Dugald River development project, Australia.

DUGALD RIVER

OVERVIEW

The Dugald River project is one of the world's largest and highest-grade known undeveloped zinc-lead-silver deposits with a Mineral Resource of 53 million tonnes at 12.5% zinc, 1.9% lead and 36g/t silver. It is located in north-west Queensland, approximately 65 kilometres north-west of Cloncurry.

The project will develop an underground mine accessed by two declines (north and south). Run-of-mine (ROM) material will be hauled to the surface before treatment by an on-site concentrator, using conventional crushing, fine grinding and flotation methods.

Dugald River is expected to process an average 2.0 million tonnes of ore to initially produce 200,000 to 220,000 tonnes of zinc in concentrate, 27,000 to 30,000 tonnes of lead in concentrate and 0.9 million ounces of silver in concentrate per year.

The zinc and lead concentrate will then be transported by road to Cloncurry. A rail load-out facility near Cloncurry will be constructed where concentrate will be stored prior to being railed to Townsville and sold to local smelters or shipped overseas.

Dugald River has a mine life of more than 20 years, with the ore body open at depth.

2012 REVIEW

In early 2012, the Dugald River Environmental Management Plan for the mine was submitted to the Department of Environment and Heritage Protection for review, with the final Environmental Authority granted in August.

MMG continued to undertake extensive pre-commitment activities including engineering design, the placement of orders for long lead-time process plant equipment and infrastructure arrangements. It also progressed early construction work associated with earthworks and roads.

Agreements for gas supply and rail haulage were finalised in 2012.

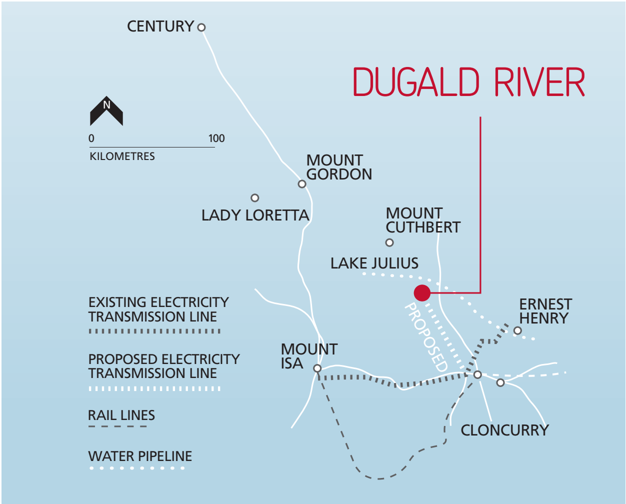
The two exploration declines continued to advance ahead of schedule, in excess of 4,500 metres at the end of 2012.

Expenditure incurred during 2012 totalled US$223.6 million, taking the expenditure to date on the Dugald River project to US$288.4 million.

In December 2012, the Board endorsed the development and construction of the Dugald River project subject to final financing arrangements. Interim funding was approved to enable development and construction to progress through to early 2013 at which point full project financing arrangements with independent financiers are expected to be concluded. Total project cost is expected to be approximately A$1,488 million excluding financing costs.

The project is expected to be commissioned in 2015 with first ore feed expected in the third quarter. Based on current estimates, the first concentrate shipment is expected to take place in the fourth quarter of 2015.

NORTH-WEST QUEENSLAND
AUSTRALIA



IZOK CORRIDOR

OVERVIEW

The Izok Corridor project includes the Izok and High Lake deposits located in the Slave Geological Province in Nunavut, northern Canada. Izok Lake is a large deposit with a Mineral Resource of 14.8 million tonnes at 12.8% zinc and 2.5% copper. The High Lake deposit, located north of Izok, has a Mineral Resource of 17.2 million tonnes at 3.4% zinc and 2.3% copper. The Company also owns base metal deposits including Gondor and Hood, and exploration tenements in the region have grown from approximately 2,000 to 5,000 square kilometres.

The proposed project includes open-pit and underground mines at Izok and High Lake with associated processing facilities at Izok. The two sites will be serviced by dedicated camps, an airstrip and administration and support buildings. A proposed port at Grays Bay will include dock facilities, concentrate storage and a camp. The mines and port will be connected by a 325-kilometre all-season road. The project is proposed to include construction of a two-million-tonne per annum concentrator and associated infrastructure to ship 650,000 tonnes of concentrate from Grays Bay.

2012 REVIEW

The two main objectives in 2012 were to support the environmental permitting process and to fully define and optimise a single investment option.

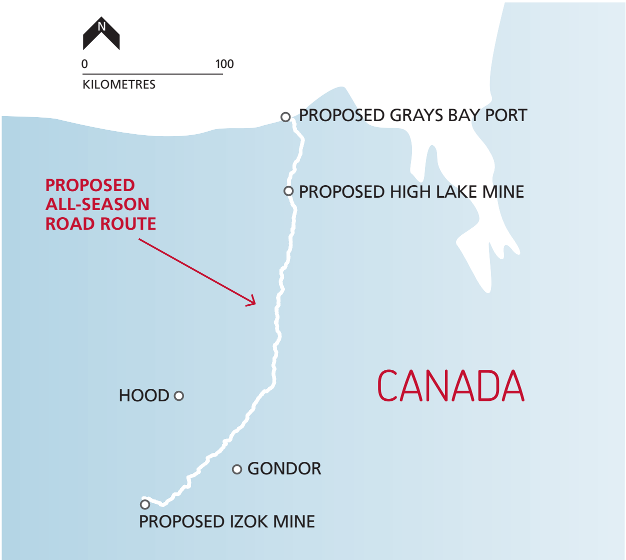
An important milestone was achieved in August 2012 with the delivery of the Project Proposal to the Nunavut Impact Review Board which initiated the permitting process with regulators.

Work will continue on the feasibility study engineering and economic evaluation in 2013 for a two-million-tonne per annum concentrator that integrates resources at Izok and High Lake.

Conclusion of the feasibility study is expected in the second half of 2013.

Total expenditure for the Izok Corridor project during 2012 totalled US$36.6 million.

NUNAVUT
NORTHERN CANADA



Project camp at Izok Lake, Canada.

EXPLORATION

OVERVIEW

As an important contributor to MMG's growth strategy, exploration continued with the three-tiered structure of mine district exploration, new discovery programs and project generation. Mine district exploration seeks additional resources around MMG's suite of operations and development sites as part of life-of-asset plans. New discovery programs provide MMG with the option of transformational growth through the discovery of significant new mineral deposits by actively exploring a portfolio of projects in key regions. Project generation involves identification of new projects for potential inclusion in the exploration portfolio.

Exploration expenditure in 2012 was US$77.3 million, with a mine district and new discovery program (including project generation) split of US$53.6 and $23.7 million, respectively. The increase in exploration spend in 2012 was largely due to mine district exploration at Kinsevere and the establishment of the Southern Africa region exploration hub.

In 2012 mine district exploration conducted active programs at Sepon, Kinsevere, Century, Rosebery, Golden Grove, the Izok Corridor project and the Jamaican bauxite project. Exploration was conducted on a portfolio of 20 new discovery potential projects with main activities at Curnamona and Huckitta in Australia, Belt-Purcell and Nikolai in North America, Norcan and Seri in Mexico, and the Kinsevere Rad50 and Central Zambian iron oxide copper gold projects in Southern Africa.

DRILLING RESULTS EXPLAINED

Drilling results are expressed in terms of the length of the drill sample and the percentage/quantity of metal per tonne.

Example
3m @ 26.5 g/t gold
= 3 metres at 26.5 grams per tonne gold

The above refers to a 3 metre-long drill sample containing 26.5 grams of gold for every tonne of material.

Program highlights are summarised on page 33 »

Inspecting ore samples at Sepon, Laos.

MINE DISTRICT EXPLORATION

SEPON

High-resolution airborne electromagnetic and ground gravity surveys have provided a breakthrough in interpretation of the geology of Sepon and generated a whole array of new targets for both oxide and primary copper and gold. Primary gold programs with encouraging drill results include Namkok East, Phavat Main, Theva/ Tamseua and the discovery of a strata-bound mineralised zone at Louang (20m @ 3.5 g/t from 568m). Exploration for oxide gold assumed greater importance in the second half 2012 in response to both short and long-term production targets, with new resources defined at Namkok East, Phavat Main and Thengkham North. Drilling programs for oxide copper returned encouraging results at Houay Seun, Thengkham North, Songkham West and Phabing.

CENTURY

Exploration continued for vein-type zinc mineralisation surrounding the Century pit that may add incremental resource extensions. Exploration conducted limited work in the SmartTrans joint venture (JV) grounds, including structural mapping at the Grevillea prospect.

GOLDEN GROVE

A major exploration initiative was conducted to provide a definitive answer as to the potential of the southern leases area, south of current mining operations. The geophysical 'Platform Program' involved down-hole electromagnetic surveys on 31 holes drilled 700m deep every 300m along the entire strike length of the Golden Grove host horizon in the southern leases to 'light up' any possible sulphide-sourced conductor responses. Excellent initial results were returned from the drilling of several conductors, including below the Flying-Hi prospect with 22m @ 8 % Zn from 387m.

ROSEBERY

Deep surface drilling 1.8km north of the Rosebery Z Lens intersected significant mineralisation including 9.8m (true width) @ 4.5% lead, 8.3% zinc, 506g/t silver and 5.5g/t gold. This positive result however, was not duplicated in two follow-up holes, despite intersecting minor stringer and disseminated polymetallic mineralisation. Current interpretations indicate a different horizon to the Rosebery host, possibly implying exciting newly recognised potential in the footwall. A technically innovative 3D seismic program at the north end of the Rosebery leases was completed. This provided a very good geological resolution greater than 2km deep with several significant reflectors to be drill tested.

IZOK CORRIDOR

The Izok Lake field program of geophysical surveys and a 13-hole 6,460m diamond drilling program defined only minor extensions to the known ore deposit. At Hood River, a 14-hole 5,720m resource extension diamond drilling program below the Hood 10 deposit was successful with six holes returning high-grade copper intersections. The best result was 24m (true width) @ 11% copper, 1% zinc, 43 g/t silver and 0.5 g/t gold, extending the mineralisation a further 220m at depth at increasing grade profile. A large regional package of exploration tenements was secured over prospective greenstone belts north of the main Izok Corridor project, which will be intensively explored for similar deposits.

KINSEVERE

The Kinsevere mine district exploration program focused on intensive drilling below the oxide resource. This validated the high-grade continuity of the sulphide mineralisation to considerable depth. The resource potential and materiality to the Kinsevere operation is being assessed.

NEW DISCOVERY PROGRAMS

AUSTRALIA

The Australian region new discovery exploration programs focused on extending the Kidman copper project in New South Wales with airborne electromagnetic surveys and scout drilling of conductor targets. A regional 102,000 line-km detailed aeromagnetic survey and air core drilling were also conducted over the Curnamona copper project in South Australia and reconnaissance surveys were conducted over prospective mafic-ultramafic intrusions at the Huckitta nickel sulphide project in the Northern Territory.

THE AMERICAS

The Americas region new discovery exploration programs comprised airborne geophysical surveys and reconnaissance surveys over the district-scale Nikolai nickel project in Alaska, drill testing of anomalies from historic airborne surveys coincident with prospective stratigraphy on the Findlay zinc project in British Columbia and an airborne geophysical survey, ground reconnaissance and sampling at the Seri and Norcan copper projects in Sonora, Mexico.

SOUTHERN AFRICA

Exploration in the Southern Africa region increased significantly following the acquisition of Anvil by MMG in early 2012. Focus in the DRC has been on securing new exploration tenements and reconnaissance sampling on two JV projects at Mukinga and Mukinga North. A regional airborne magnetics survey and sampling were carried out over central Zambian iron oxide copper gold project targets.

PROJECT GENERATION

The three commodity project generation teams (copper, zinc and nickel) focused generative activities in Africa, the Americas and Australia. The copper team undertook major opportunity reviews in the Southern Africa region in light of the Anvil acquisition, establishing a foundation operation in this highly prospective part of the world. The commodity teams continued building innovative intellectual property on deposit models and exploration strategies that give MMG a long-term competitive advantage. Project generation in the first half 2012 across all three commodities had a strong focus on securing more advanced-stage exploration projects that have the potential for discovering an ore body transformational to the Company within a three-year timeframe.

RESOURCES AND RESERVES

OVERVIEW

MMG's Mineral Resources and Ore Reserves Statement has been prepared as at 30 June 2012 in accordance with the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code).

Mineral Resources can be defined as the concentration of material of economic interest in or on the Earth's crust, whereas Ore Reserves are the parts of a Mineral Resource that can at present be economically mined. Mineral Resources are inclusive of Ore Reserves.

MMG **Mineral Resources** (contained metal) as at 30 June 2012 are estimated to contain 15 million tonnes of zinc, 4.5 million tonnes of copper, 2.7 million tonnes of lead, 322.1 million ounces of silver, 7 million ounces of gold and 0.3 million tonnes of nickel. The total Mineral Resource estimate for June 2012 represents an increase in contained metal of copper (37%) due to the acquisition of Anvil and its Kinsevere operation and a reduction of zinc (-8%), lead (-2%), silver (-4%) and gold (-6%) compared with the 2011 Mineral Resources. Reductions were due to mining depletion and the re-evaluation of geotechnical, cultural and environmental factors in line with the operation approaching the end of mine life at Century and exclusion of mineralisation deemed unrecoverable at the Golden Grove underground mines.

MMG **Ore Reserves** (contained metal) as at 30 June 2012 are estimated to contain 7.6 million tonnes of zinc, 1.6 million tonnes of copper, 1.3 million tonnes of lead, 106.3 million ounces silver and 0.6 million ounces gold. The total Ore Reserve estimate for June 2012 represents an increase in contained metal of copper (74%), lead (2%) and silver (4%) and a decrease in zinc (-6%) and gold (-6%) compared with the June 2011 estimate. Gains in Ore Reserves are mostly due to the inclusion of the Kinsevere Ore Reserve, following the acquisition of Anvil. Additional contributions are due to the conversion of Mineral Resources into Ore Reserves partly offsetting mining depletion.

Note: Numbers in brackets within this report do not imply negative values. Numbers may differ from the tables due to rounding.

MINERAL RESOURCES

Kinsevere copper Mineral Resources are included for the first time, following the acquisition of Anvil. Mining depletion at Sepon Gold was balanced by Mineral Resource additions resulting from infill drilling and model updates on Thongpiang, Thengkham East and Vang Nyang South. Sepon Copper Mineral Resources decreased in line with mining depletion.

Additions to the Golden Grove Mineral Resources have partly offset mining depletion. Increases have come from the discovery and inclusion of the Oizon Mineral Resource region and delineation and grade control drilling. Decreases have resulted from mining depletion, change in financial inputs and the exclusion of narrow and/or low-grade mineralisation distant from mining infrastructure which have been regarded as unrecoverable. In total, metal quantities were balanced by additions, except silver, which was negatively impacted.

Additions to the Rosebery Mineral Resources have partly offset mining depletion. Increases have come from delineation and grade control drilling. Century Mineral Resources have decreased due to mining depletion and re-evaluation of geotechnical, cultural and environmental factors which are in line with the operation approaching the end of mine life. Changes in Mineral Resources are shown in absolute terms for all deposits or operations and in total within the following tables.

TOTAL MMG MINERAL RESOURCES (CONTAINED METAL)*

	Zinc (Mt)	Copper (Mt)	Lead (Mt)	Silver (Moz)	Gold (Moz)	Nickel (Mt)
Sepon	–	1.4	–	20.9	4.4	–
Century	2.5	–	0.6	35.7	–	–
Kinsevere	–	1.4	–	–	–	–
Golden Grove	1.0	0.8	0.1	35.3	0.8	–
Rosebery	2.4	0.1	0.8	96.2	1.3	–
Dugald River	6.6	0.1	1.0	61.9	0.0	–
Avebury	–	–	–	–	–	0.3
High Lake	0.6	0.4	0.1	38.7	0.5	–
Izok Lake	1.9	0.4	0.2	33.5	–	–
Total Resources	**15.0**	**4.5**	**2.7**	**322.1**	**7.0**	**0.3**

*Details of Mineral Resources are tabulated and documented in the MMG Resources and Reserves Statement as at 30 June 2012. Significant figures do not imply precision. Contained metal does not imply recovery.

ABSOLUTE CHANGE IN MINERAL RESOURCES (CONTAINED METAL)*

	Zinc (Mt)	Copper (Mt)	Lead (Mt)	Silver (Moz)	Gold (Moz)	Nickel (Mt)
Sepon	–	-0.1	–	-1.3	-0.2	–
Century	-1.1	–	0.0	-6.7	–	–
Kinsevere	–	1.4	–	–	–	–
Golden Grove	-0.2	-0.1	0.0	-6.8	-0.2	–
Rosebery	0.0	0.0	0.0	2.6	0.0	–
Dugald River	–	–	–	–	–	–
Avebury	–	–	–	–	–	–
High Lake	–	–	–	–	–	–
Izok Lake	–	–	–	–	–	–
Total Resources	**-1.4**	**1.2**	**0.0**	**-12.2**	**-0.4**	–

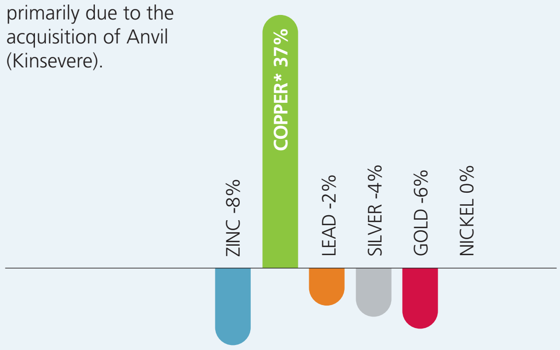
*Totals may differ due to rounding.

Notes

1. Increase in copper was due to the inclusion of Kinsevere Mineral Resources after the acquisition of Anvil in February 2012.
2. Reductions in zinc and silver were primarily due to re-evaluation of geotechnical, cultural and environmental factors in line with the operation approaching the end of mine life at Century, and exclusion of non-recoverable material at Golden Grove.

PERCENTAGE CHANGE IN MINERAL RESOURCES CONTAINED METAL

*Copper increase is primarily due to the acquisition of Anvil (Kinsevere).



ORE RESERVES

MMG Ore Reserves have increased with the inclusion of the Kinsevere Ore Reserve, following the acquisition of Anvil. Ore Reserves (contained metal) increased for copper (74%), lead (2%) and silver (4%) and decreased for zinc (-6%) and gold (-6%) from the June 2011 statement.

Ore Reserve tonnage reconciliation between 2011 and 2012 (excluding Kinsevere) indicates an overall ore tonnage reduction (-2.3Mt) primarily due to expected depletion from mill processing (11.8Mt), which has been offset by additional tonnage at Sepon Gold (3.6Mt), Century (1.9Mt), Golden Grove (1.7Mt), Rosebery (1.9Mt) and Dugald River (0.06Mt).

The Century Ore Reserve method has been reviewed to include better definition of mining dilution and mine recovery. Century has now included Stage 10 of the pit into the Ore Reserve, which partially offset depletion and positively impacted silver.

Revised economic assumptions have resulted in a substantial increase in tonnes and a decrease in grade for all metals except copper for the Rosebery Ore Reserve.

The Dugald River Ore Reserve has been revised from a Proved and Probable Reserve to a Probable Reserve, due to uncertainties in dilution parameters and geotechnical aspects. Significant project work including underground development and trial stoping is ongoing and planned.

Changes in Ore Reserves are shown in absolute terms for all operations and in total within the following tables.

TOTAL MMG ORE RESERVES (CONTAINED METAL)*

	Zinc (Mt)	Copper (Mt)	Lead (Mt)	Silver (Moz)	Gold (Moz)
Sepon	–	0.6	–	1.2	0.2
Century	2.2	–	0.3	24.0	–
Kinsevere	–	0.8	–	–	–
Golden Grove	0.1	0.2	0.0	3.7	0.1
Rosebery	0.7	0.0	0.2	25.9	0.3
Dugald River	4.7	–	0.7	51.5	–
Total Reserves	**7.6**	**1.6**	**1.3**	**106.3**	**0.6**

*Details of Ore Reserves are tabulated and documented in the MMG Resources and Reserves Statement as at 30 June 2012.
Significant figures do not imply precision. Contained metal does not imply recovery.

Exploration drilling at Dugald River, Australia.

ABSOLUTE CHANGE IN ORE RESERVES (CONTAINED METAL)*

	Zinc (Mt)	Copper (Mt)	Lead (Mt)	Silver (Moz)	Gold (Moz)
Sepon	–	-0.1	–	0.3	0.0
Century	-0.4	–	0.0	8.5	–
Kinsevere	–	0.8	–	–	–
Golden Grove	-0.1	0.0	0.0	-1.5	0.0
Rosebery	0.0	0.0	0.0	-1.6	0.0
Dugald River	-0.1	–	0.0	-1.7	–
Total Reserves	**-0.5**	**0.7**	**0.0**	**3.9**	**0.0**

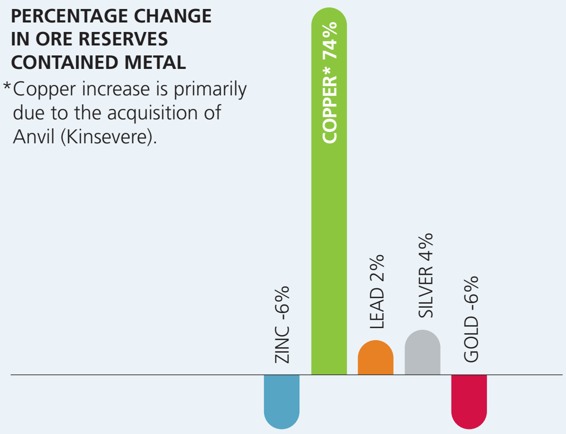
*Totals may differ due to rounding.

Notes

1. Increase in copper was due to the inclusion of Kinsevere Ore Reserves after the acquisition of Anvil in February 2012.
2. Additions in silver at Century have resulted from the Ore Reserve method review and the inclusion of Stage 10 in the Ore Reserve.

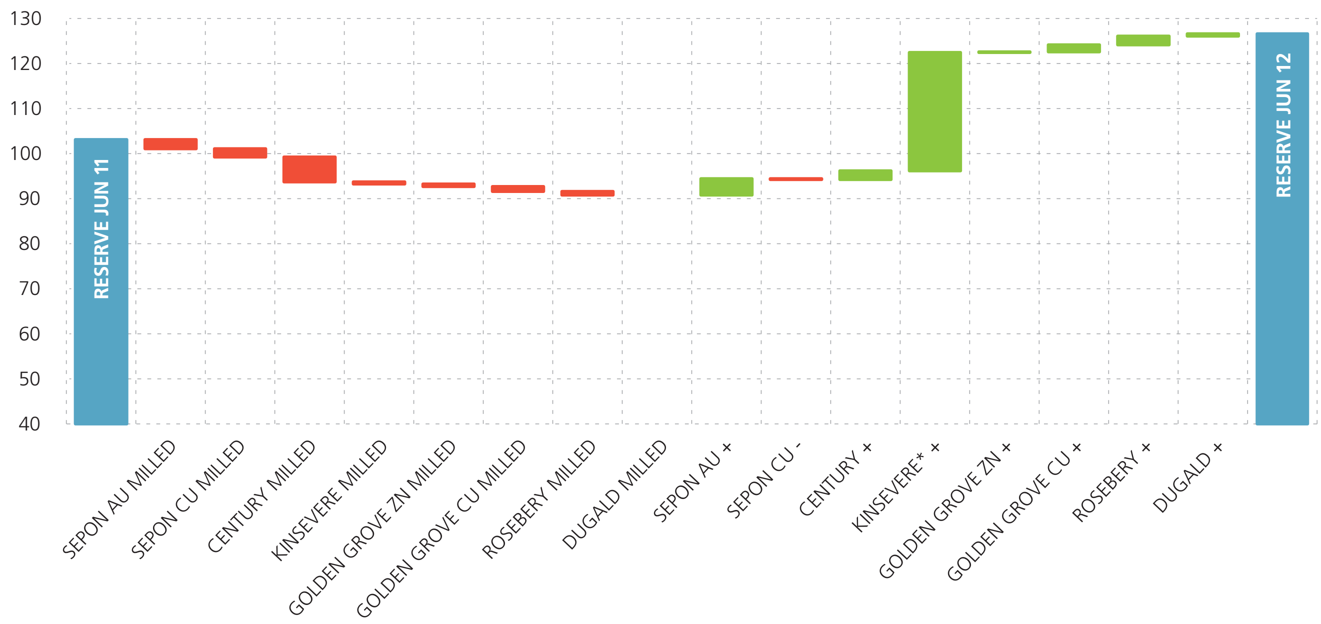
PERCENTAGE CHANGE IN ORE RESERVES CONTAINED METAL

*Copper increase is primarily due to the acquisition of Anvil (Kinsevere).



ORE RESERVE TONNAGE RECONCILIATION

Ore Reserve Mt



*Kinsevere Ore Reserve figure has been adjusted for milling depletion from 1 January 2012.

MINERAL RESOURCES AS AT 30 JUNE 2012

Sepon Mineral Resources

					CONTAINED METAL		
Copper 0.5% Cu cut-off grade	Tonnes (Mt)	Copper (% Cu)	Gold (g/t Au)	Silver (g/t Ag)	Copper ('000 t)	Gold (Moz)	Silver (Moz)
Supergene Copper							
Measured	13.1	2.9	–	–	383	–	–
Indicated	22.6	2.4	–	–	551	–	–
Inferred	17.6	1.4	–	–	239	–	–
Total	**53.3**	**2.2**	**–**	**–**	**1,173**	**–**	**–**
Primary Copper							
Measured	1.7	1.6	0.2	7	26	0.0	0.4
Indicated	1.0	1.5	0.2	7	16	0.0	0.2
Inferred	21.4	0.7	0.2	5	160	0.2	3.3
Total	**24.1**	**0.8**	**0.2**	**5**	**203**	**0.2**	**3.9**
Oxide Gold 0.5g/t Au cut-off grade							
Measured	3.6	–	1.7	8	–	0.2	0.9
Indicated	10.0	–	1.0	6	–	0.3	2.1
Inferred	4.9	–	0.9	4	–	0.1	0.6
Total	**18.5**	**–**	**1.1**	**6**	**–**	**0.7**	**3.5**
Partial Oxide Gold 0.5g/t Au cut-off grade							
Measured	2.7	–	2.7	13	–	0.2	1.1
Indicated	3.9	–	1.4	9	–	0.2	1.1
Inferred	1.9	–	1.0	5	–	0.1	0.3
Total	**8.5**	**–**	**1.8**	**9**	**–**	**0.5**	**2.6**
Primary Gold 1.0g/t Au cut-off grade							
Measured	2.2	–	3.2	10	–	0.2	0.7
Indicated	26.5	–	2.7	10	–	2.3	8.2
Inferred	9.1	–	1.9	7	–	0.6	2.0
Total	**37.8**	**–**	**2.5**	**9**	**–**	**3.0**	**10.9**
Total Resources					**1,376**	**4.4**	**20.9**

Significant figures do not imply precision.
Competent Person: Kerrin Allwood (Member of AusIMM, employee of Geomodelling Ltd)

MINERAL RESOURCES AS AT 30 JUNE 2012 (CONTINUED)

Century Mineral Resources

Century and East Block 3.5% Zn cut-off grade	Tonnes (Mt)	Zinc (% Zn)	Lead (% Pb)	Silver (g/t Ag)	CONTAINED METAL Zinc ('000 t)	CONTAINED METAL Lead ('000 t)	CONTAINED METAL Silver (Moz)
Century							
Measured	14.9	11.6	1.8	43	1,726	267	20.7
Indicated	5.7	11.6	1.7	33	665	95	6.1
Inferred	–	–	–	–	–	–	–
Total	20.6	11.6	1.8	40	2,392	362	26.9
Century East Block							
Measured	–	–	–	–	–	–	–
Indicated	0.2	12.8	1.1	49	26	2	0.3
Inferred	0.2	12.7	1.1	55	25	2	0.4
Total	0.4	12.8	1.1	52	51	4	0.7
Silver King 3.5% Pb cut-off grade							
Measured	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–
Inferred	1.6	5.1	13.9	157	82	222	8.1
Total	1.6	5.1	13.9	157	82	222	8.1
Total Resources					2,525	588	35.7

Significant figures do not imply precision.
Competent Person: Michael Smith (Member of AusIMM, employee of MMG)

Kinsevere Mineral Resources

0.5% Total Cu cut-off grade	Tonnes (Mt)	Copper (% TCu*)	Copper (% ASCu*)	CONTAINED METAL Copper TCu* ('000 t)	CONTAINED METAL Copper ASCu* ('000 t)
Oxide Copper					
Measured	15.7	3.9	3.1	–	494
Indicated	14.5	2.8	2.3	–	338
Inferred	1.1	2.1	1.8	–	20
Total	31.4	3.3	2.7	–	852
Primary Copper					
Measured	1.6	2.6	0.9	42	–
Indicated	10.4	2.8	0.7	291	–
Inferred	8.9	2.4	0.6	210	–
Total	20.8	2.6	0.7	543	–
Total Resources				543	852

*TCu stands for Total Copper, ASCu stands for Acid Soluble Copper.
Significant figures do not imply precision.
Competent Person: David Gray (Member of AusIMM, employee of Optiro Pty Ltd)

MINERAL RESOURCES AS AT 30 JUNE 2012 (CONTINUED)

Golden Grove Mineral Resources

Cut-off grade for the primary zinc and copper is based on the Net Smelter Return (NSR) value of A$70.0 per tonne. 0.4Mt primary zinc is based on the NSR value of A$52.0 per tonne, and only includes material within the 2012 Au Oxide Pit Shell Design.

							CONTAINED METAL				
	Tonnes (Mt)	Zinc (% Zn)	Copper (% Cu)	Lead (% Pb)	Silver (g/t Ag)	Gold (g/t Au)	Zinc ('000 t)	Copper ('000 t)	Lead ('000 t)	Silver (Moz)	Gold (Moz)
Primary Copper[1]											
Measured	10.7	0.6	2.6	0.1	19	0.5	68	273	6	6.5	0.2
Indicated	4.3	0.6	2.4	0.1	17	0.4	28	104	3	2.4	0.0
Inferred	12.0	0.5	2.7	0.0	21	0.5	56	326	2	7.9	0.2
Total	**27.0**	**0.6**	**2.6**	**0.0**	**19**	**0.5**	**152**	**702**	**11**	**16.9**	**0.4**
Oxide Copper[2] 0.5% Cu cut-off grade											
Measured	–	–	–	–	–	–	–	–	–	–	–
Indicated	4.8	–	2.0	–	–	–	–	96	–	–	–
Inferred	–	–	–	–	–	–	–	–	–	–	–
Total	**4.8**	–	**2.0**	–	–	–	–	**96**	–	–	–
Primary Zinc[1]											
Measured	2.2	13.4	0.3	1.2	94	1.1	293	8	27	6.7	0.1
Indicated	0.9	10.4	0.5	1.1	94	1.5	90	4	9	2.6	0.0
Inferred	4.4	11.6	0.6	0.6	43	0.9	513	26	26	6.1	0.1
Total	**7.5**	**12.0**	**0.5**	**0.8**	**64**	**1.0**	**896**	**38**	**62**	**15.4**	**0.2**
Oxide Gold[3] 1g/t Au cut-off grade											
Measured	–	–	–	–	–	–	–	–	–	–	–
Indicated	0.7	–	–	–	113	3.2	–	–	–	2.5	0.1
Inferred	0.3	–	–	–	52	2.2	–	–	–	0.5	0.0
Total	**1.0**	–	–	–	**94**	**2.9**	–	–	–	**3.0**	**0.1**
Total Resources							**1,048**	**836**	**73**	**35.3**	**0.8**

Significant figures do not imply precision.

As Golden Grove is a polymetallic mine, NSR is used as a cut-off to capture the correct value of the contained metal.

Competent Persons:

1. Chevaun Gellie (Member of AIG, employee of MMG)
2. Jared Broome (Fellow of AusIMM (CP), employee of MMG)
3. Robert Oakley (Member of AusIMM, employee of MMG)

MINERAL RESOURCES AS AT 30 JUNE 2012 (CONTINUED)

Rosebery Mineral Resources

Cut-off grade is based on the NSR value of A$122.5 per tonne, older areas of the mine (<15% of total Resource) have been reported on metallurgically recoverable total metal units (TMU), expressed as a dollar value (A$125.0 per tonne)

	Tonnes (Mt)	Zinc (% Zn)	Copper (% Cu)	Lead (% Pb)	Silver (g/t Ag)	Gold (g/t Au)	CONTAINED METAL Zinc ('000 t)	Copper ('000 t)	Lead ('000 t)	Silver (Moz)	Gold (Moz)
Rosebery											
Measured	8.8	11.9	0.5	3.5	123	1.7	1,045	43	306	34.7	0.5
Indicated	5.9	10.6	0.4	3.6	123	1.7	625	23	212	23.4	0.3
Inferred	8.7	7.8	0.3	3.3	121	1.4	678	28	288	33.7	0.4
Total	23.3	10.1	0.4	3.5	122	1.6	2,348	94	806	91.8	1.2
South Hercules NSR cut-off of A$105.0 per tonne											
Measured	0.7	3.6	0.1	1.9	155	2.8	27	1	14	3.7	0.1
Indicated	0.1	2.4	0.1	1.1	162	2.7	3	0	2	0.8	0.0
Inferred	–	–	–	–	–	–	–	–	–	–	–
Total	0.9	3.4	0.1	1.8	156	2.7	30	1	16	4.5	0.1
Total Resources							2,378	95	821	96.2	1.3

Significant figures do not imply precision.
As Rosebery is a polymetallic mine, NSR is used as a cut-off to capture the correct value of the contained metal.
Competent Persons: Mark Aheimer (Member of AusIMM, employee of MMG) & Stuart Dawes (Member of AusIMM, employee of MMG)

Dugald River Mineral Resources

Zinc 6% Zn cut-off grade	Tonnes (Mt)	Zinc (% Zn)	Copper (% Cu)	Lead (% Pb)	Silver (g/t Ag)	Gold (g/t Au)	CONTAINED METAL Zinc ('000 t)	Copper ('000 t)	Lead ('000 t)	Silver (Moz)	Gold (Moz)
Measured	20.6	13.1	–	1.9	56	–	2,699	–	391	37.1	–
Indicated	23.0	12.6	–	2.0	28	–	2,898	–	460	20.7	–
Inferred	9.4	10.7	–	1.4	14	–	1,006	–	132	4.1	–
Total	53.0	12.5	–	1.9	36	–	6,602	–	983	61.9	–
Copper 1% Cu cut-off grade											
Measured	–	–	–	–	–	–	–	–	–	–	–
Indicated	–	–	–	–	–	–	–	–	–	–	–
Inferred	4.4	–	1.8	–	–	0.2	–	79	–	–	0.0
Total	4.4	–	1.8	–	–	0.2	–	79	–	–	0.0
Total Resources							6,602	79	983	61.9	0.0

Significant figures do not imply precision.
Competent Person: Peter Carolan (Member of AusIMM, employee of MMG)

MINERAL RESOURCES AS AT 30 JUNE 2012 (CONTINUED)

Avebury Mineral Resources

0.4% Ni cut-off grade	Tonnes (Mt)	Nickel (% Ni)	CONTAINED METAL Nickel ('000 t)
Measured	3.8	1.1	42
Indicated	4.9	0.9	46
Inferred	20.7	0.8	171
Total Resources	29.3	0.9	259

Significant figures do not imply precision.
Mineral Resource stated as total Ni, which includes sulphide and silicate phases.
Competent Person: Peter Carolan (Member of AusIMM, employee of MMG)

High Lake Mineral Resources

2% Cu equivalent cut-off grade	Tonnes (Mt)	Zinc (% Zn)	Copper (% Cu)	Lead (% Pb)	Silver (g/t Ag)	Gold (g/t Au)	CONTAINED METAL				
							Zinc ('000 t)	Copper ('000 t)	Lead ('000 t)	Silver (Moz)	Gold (Moz)
Measured	–	–	–	–	–	–	–	–	–	–	–
Indicated	17.2	3.4	2.3	0.3	70	1.0	576	387	53	38.7	0.5
Inferred	–	–	–	–	–	–	–	–	–	–	–
Total Resources	17.2	3.4	2.3	0.3	70	1.0	576	387	53	38.7	0.5

Significant figures do not imply precision.
Competent Person: George H. Wahl (Member Association of Professional Geoscientists of Ontario, employee of G. H. Wahl Associates)

Izok Lake Mineral Resources

2% Zn equivalent cut-off grade	Tonnes (Mt)	Zinc (% Zn)	Copper (% Cu)	Lead (% Pb)	Silver (g/t Ag)	CONTAINED METAL			
						Zinc ('000 t)	Copper ('000 t)	Lead ('000 t)	Silver (Moz)
Measured	–	–	–	–	–	–	–	–	–
Indicated	14.4	12.9	2.5	1.3	71	1,863	361	184	32.9
Inferred	0.4	6.4	3.8	0.3	54	24	14	1	0.6
Total Resources	14.8	12.8	2.5	1.3	71	1,887	375	185	33.5

Significant figures do not imply precision.
Competent Person: Tim Maunula (Member Association of Professional Geoscientists of Ontario, former employee of Wardrop Engineering)

ORE RESERVES AS AT 30 JUNE 2012

Sepon Ore Reserves

					CONTAINED METAL		
	Tonnes (Mt)	Copper (% Cu)	Gold (g/t Au)	Silver (g/t Ag)	Copper ('000 t)	Gold (Moz)	Silver (Moz)
Sepon Gold							
Proved	0.4	–	1.1	–	–	0.0	–
Probable	5.9	–	0.7	–	–	0.1	–
Total	6.3	–	0.8	–	–	0.2	–
Sepon Silver							
Proved	–	–	–	–	–	–	–
Probable	6.0	–	–	6.0	–	–	1.2
Total	6.0	–	–	6.0	–	–	1.2
Sepon Copper							
Proved	8.9	3.8	–	–	339	–	–
Probable	7.8	3.9	–	–	307	–	–
Total	16.8	3.9	–	–	645	–	–
Total Ore Reserves					645	0.2	1.2

Significant figures do not imply precision.

Cut-off grades for gold (and silver) deposits range from 0.39 to 0.48 g/t Au based on metallurgical recovery and haulage distance using a gold price of US$1,630.0/oz.

Cut-off grades for copper deposits range from 0.90% to 3.80% Cu based on metallurgical recovery, acid consumption and haulage distance using a US$3.0/lb Cu price.

Competent Person: Julian Poniewierski (Member of AusIMM (CP), employee of MMG)

Century Ore Reserves

					CONTAINED METAL		
	Tonnes (Mt)	Zinc (% Zn)	Lead (% Pb)	Silver (g/t Ag)	Zinc ('000 t)	Lead ('000 t)	Silver (Moz)
Proved	15.5	10.0	1.5	38	1,553	238	18.8
Probable	5.7	10.6	1.4	29	602	78	5.3
Total Ore Reserves	21.2	10.2	1.5	35	2,155	316	24.0

Significant figures do not imply precision.

Cut-off grade based on a zinc equivalent grade of 4.63%, using a zinc price of US$1,900.0/t, lead price of US$1,750.0/t, silver price of US$13.0/oz and 0.80 exchange rate.

Competent Person: Mark Adams (Member of AusIMM, employee of MMG)

ORE RESERVES AS AT 30 JUNE 2012 (CONTINUED)

Kinsevere Ore Reserves

	Tonnes (Mt)	Copper (%TCu)*	Copper (%ASCu)*	CONTAINED METAL Copper ASCu* ('000 t)
Proved	14.1	4.0	3.2	453
Probable	11.7	3.0	2.5	297
Total Ore Reserves	25.8	3.5	2.9	751

Significant figures do not imply precision.
*TCu stands for Total Copper, ASCu stands for Acid Soluble Copper.
Kinsevere Ore Reserves as at 31 December 2011.
Cut-off grade based on an economic cut-off grade (Anvil Mining Limited 2011 price forecast), which accounts for a long-term copper price of US$2.5/lb.
Competent Person: Michael Lawlor (Fellow of AusIMM, former employee of Anvil)

Golden Grove Ore Reserves

							CONTAINED METAL				
	Tonnes (Mt)	Zinc (% Zn)	Copper (% Cu)	Lead (% Pb)	Silver (g/t Ag)	Gold (g/t Au)	Zinc ('000 t)	Copper ('000 t)	Lead ('000 t)	Silver (Moz)	Gold (Moz)
Primary Zinc[1]											
Proved	0.4	9.4	0.3	1.2	60	1.1	41	1	5	0.8	0.0
Probable	0.2	8.2	0.3	1.0	75	1.2	14	1	2	0.4	0.0
Total	0.6	9.1	0.3	1.1	64	1.1	54	2	7	1.2	0.0
Primary Copper[1]											
Proved	4.0	0.3	2.5	0.0	14	0.5	14	99	1	1.8	0.1
Probable	1.7	0.2	2.3	0.0	12	0.3	3	39	0	0.7	0.0
Total	5.7	0.3	2.4	0.0	13	0.4	17	139	2	2.5	0.1
Oxide Copper Open Pit[2]											
Proved	–	–	–	–	–	–	–	–	–	–	–
Probable	3.0	–	2.4	–	–	–	–	71	–	–	–
Total	3.0	–	2.4	–	–	–	–	71	–	–	–
Total Ore Reserves							71	212	8	3.7	0.1

Significant figures do not imply precision.
Cut-off grade based on NSR value of A$110.0/t, using a copper price of US$3.47/lb, zinc price of US$1.07/lb, lead price of US$1.06/lb, silver price of US$27.57/oz, gold price of US$1,537.0/oz and 1.00 exchange rate.
Competent Persons:
1. Ian Patterson (Member of AusIMM, employee of MMG)
2. Angus Henderson (Member of AusIMM, employee of MMG)

Rosebery Ore Reserves

	Tonnes (Mt)	Zinc (% Zn)	Copper (% Cu)	Lead (% Pb)	Silver (g/t Ag)	Gold (g/t Au)	CONTAINED METAL Zinc ('000 t)	Copper ('000 t)	Lead ('000 t)	Silver (Moz)	Gold (Moz)
Proved	3.8	9.8	0.3	2.9	101	1.4	368	11	109	12.2	0.2
Probable	3.9	8.0	0.3	2.9	108	1.3	315	10	116	13.7	0.2
Total Ore Reserves	7.7	8.9	0.3	2.9	104	1.3	683	21	225	25.9	0.3

Significant figures do not imply precision.

Cut-off grade based on NSR value of A$175.0/t using a copper price of US$2.8/lb, zinc price of US$1.18/lb, lead price of US$1.12/lb, silver price of US$20.0/oz, gold price of US$1,200.0/oz and 0.84 exchange rate.

Rosebery Ore Reserves grades for all metals (except copper) have reduced since the 2011 Ore Reserve estimate, however contained metal remains similar to the 2011 Ore Reserve estimate.

Competent Person: Alex Bell (Member of AusIMM, employee of MMG)

Dugald River Ore Reserves

	Tonnes (Mt)	Zinc (% Zn)	Lead (% Pb)	Silver (g/t Ag)	CONTAINED METAL Zinc ('000 t)	Lead ('000 t)	Silver (Moz)
Proved	–	–	–	–	–	–	–
Probable	39.6	11.9	1.9	41	4,697	745	51.5
Total Ore Reserves	39.6	11.9	1.9	41	4,697	745	51.5

Significant figures do not imply precision.

Cut-off grade based on NSR value of A$145.0/t, using a zinc price of US$1.18/lb, lead price of US$1.12/lb, silver price of US$20.0/oz and 0.84 exchange rate.

Note: Dugald River Ore Reserve has been revised as Probable Reserve, due to uncertainties in dilution parameters and geotechnical aspects. Current assumptions of a lower grade contribution from hanging wall dilution, have led to a slight decrease in zinc grade. The NSR cut-off grade was revised resulting from higher metal prices, balanced by slightly higher operational expenditure.

Competent Person: Julian Poniewierski (Member of AusIMM (CP), employee of MMG)

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by the listed competent persons, who are Members or Fellows of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG) or a Recognised Overseas Professional Organisation (ROPO) and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the JORC Code. Each of the Competent Persons has given consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

SUSTAINABILITY

Sustainable development is fundamental to the success of MMG's strategy. A commitment to care for its people, the environment and stakeholders determines the Company's social licence to operate. The Company's core values of safety, integrity, action and results underpin its sustainability policy and principles, and guide the behaviour of all employees and contractors.

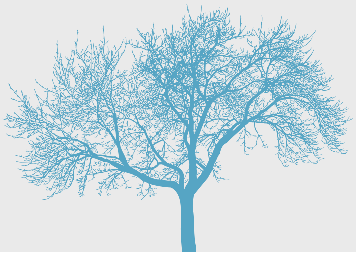
As a member of the ICMM, MMG is committed to aligning its practices to the Council's Sustainable Development Framework by 2014. This includes integrating a set of ten principles and seven supporting position statements on sustainability into corporate policies. These principles and statements have been derived from both broad-sector consultation and the Global Reporting Initiative's (GRI) G3 guidelines on sustainability practice and reporting.

In 2012 MMG continued to align its program to the ICMM Sustainable Development framework. ICMM members are also required to develop transparent and accountable reporting practices. This year the Company will publish its third annual Sustainability Report according to the ICMM assurance procedure and GRI indicators.

With safety as the Company's first value, protecting the health, safety and wellbeing of its employees and contractors is a primary sustainability objective. MMG also aims to minimise impacts on the environment by responsibly managing landscape disturbance, water resources, emissions and other waste. The Company ensures that the communities in which it operates receive enduring benefit from its activities, and it seeks to be known for integrity, and for ensuring that the workforce behaves with respect to other people and cultures.

MMG uses a robust governance process to identify and report its material sustainability issues, including the review of Board SHEC reports and the Company and operational site risk registers, feedback from stakeholders and assessment of media and industry issues.

Rehabilitation activities at Century, Australia.



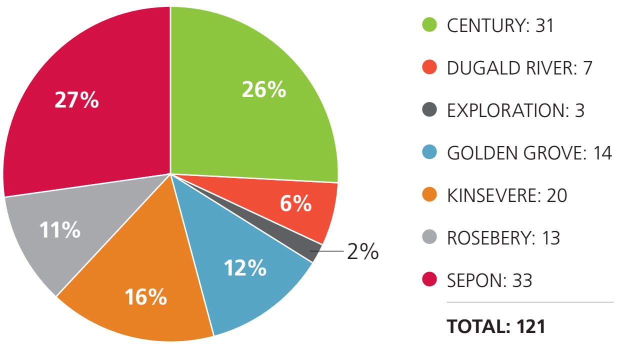
MMG'S MATERIAL SUSTAINABILITY ISSUES ARE BROADLY GROUPED INTO THE FOLLOWING FIVE AREAS:

PEOPLE

People are a critical and strategic driver of the business. At the end of 2012, the Company had a workforce of approximately 10,100 people including contractors. Of these, approximately 53% were employed directly by the Company, predominantly based at its operational mines. Indigenous employees made up a total of 4% of the workforce, with 22% of Century employees being Indigenous and 96% of Sepon, and 93% of Kinsevere employees being drawn from local communities. Women comprised approximately 17% of the total workforce. The development of the Dugald River project is anticipated to create around 550 jobs.

In 2012 MMG's Code of Conduct was refined and rolled out at all Australian exploration and project sites, and was extended to contractors and agents. The rollout at Sepon and Kinsevere is scheduled for 2013. The Company has also had continuing success from its pre-employment, training and development programs at all sites, with a highlight being its workforce localisation program at Sepon. The program delivered a significant increase in the number of Lao employees promoted to supervisor and superintendent roles. In addition, MMG's senior leaders received unconscious bias training, providing a theoretical foundation for the MMG Diversity and Inclusion Strategy.

2012 significant safety incidents by site:



HEALTH AND SAFETY

The Company's overall health and safety vision is a 'Zero Harm and Fatality Free' workplace. In 2012 key focus areas were driving down significant incidents through safety leadership, new standards, improved reporting and incident root-cause analysis, as well integrating Kinsevere's operations.

MMG SHEC management systems evolved to support the SHEC Policy. The overarching Stop & Think program developed further, and a new incident reporting platform was deployed to Australian sites. At the end of 2012, the TRIFR per million hours worked improved to 3.0 (compared to 4.1 for 2011). The LTIFR was 0.7, the same as recorded in 2011 (a reclassification after reporting moved 2011's figure to 0.7). These statistics encompass the Company's entire workforce – employees and contractors. Safety remains a core value as the Company seeks continuous improvement in 2013.

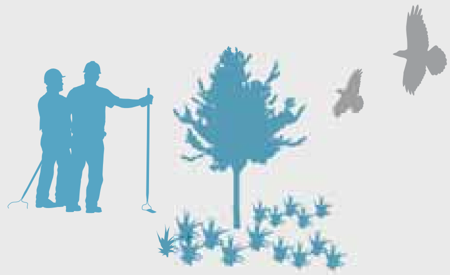
In 2012 MMG's focus was on fatality prevention, resulting in the development and rollout of the Fatal Risk Control Standard, the Occupational Hygiene Standard and the MMG Life Saving Rules. Task Hazard Analysis and a Contractor Management System were also developed, and a new Incident and Event Module (I&EM) was completed and rolled out to Australian sites. MMG also identified the need to align Kinsevere to these standards as part of the integration process and has developed an action plan for implementation in 2013.

WORKING WITH STAKEHOLDERS

MMG's social licence to operate is determined by the wide range of internal and external stakeholders – people and organisations – for which its operations have relevance. The Company believes in consulting with, and listening and responding openly to stakeholders, as part of being a welcomed and valued member of the communities in which it operates.

In 2012 the Company further refined the implementation of its community relations management system, which included developing nine new standards applied to all sites, and the implementation of a stakeholder management database. Social Impact Assessments were conducted at Australian sites and community engagement was expanded at Kinsevere, and the Dugald River and Izok Corridor projects.

BUILDING A BUSINESS THAT IS ECONOMICALLY SUSTAINABLE WILL ENSURE THAT THE COMPANY CAN SHARE THE BENEFITS FROM OPERATIONS WITH ITS STAKEHOLDERS, NOW AND INTO THE FUTURE.



RESPECTING THE ENVIRONMENT

Excellence in managing environmental responsibilities is essential to MMG's long-term success. A key objective is minimising and mitigating the Company's environmental footprint, and fully equipping the workforce to run the environmental programs.

Total energy consumption in 2012 was 7,321,799 gigajoules (6,542,901 gigajoules in 2011), while total greenhouse gas emissions were 960,485 tonnes of carbon dioxide equivalent (869,595 tonnes in 2011). These are used and generated by the Company's mining operations and development projects in Australia, Laos and the DRC. The Company reports its energy use to the Australian Government through the *National Greenhouse and Energy Reporting Act 2007* and the *Energy Efficiency Opportunities Act 2006*.

Total water input for 2012 was 44 gigalitres (48.8 in 2011). Water is primarily used to process ore into concentrate. Where practicable, the operations recycle and reuse water as much as possible.

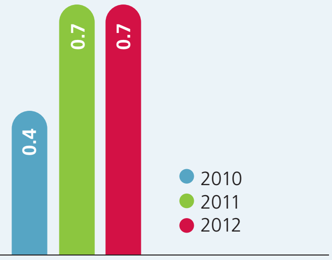
In 2012 MMG reached significant environmental milestones in relation to its development projects. Final Environmental Authority, setting out licence conditions, was received for the Dugald River project in Queensland, Australia. The Izok Corridor Project Proposal was also submitted to the Nunavut Impact Review Board and key authorising agencies, commencing the environmental assessment and regulatory review process in Canada.

SUSTAINING THE COMPANY'S ECONOMIC PERFORMANCE

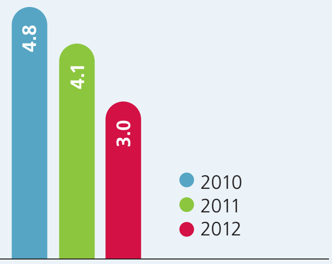
Building a business that is economically sustainable will ensure that the Company can share the benefits from operations with its stakeholders, now and into the future. Operations that run more efficiently provide a direct environmental and social dividend.

In 2012 the Company's asset utilisation and energy efficiency programs progressed, revealing gains in operational and emissions efficiency. The integration of Kinsevere mine extended MMG's investment in community development and support around its operations. MMG also launched a multi-province child health partnership with UNICEF in Laos.

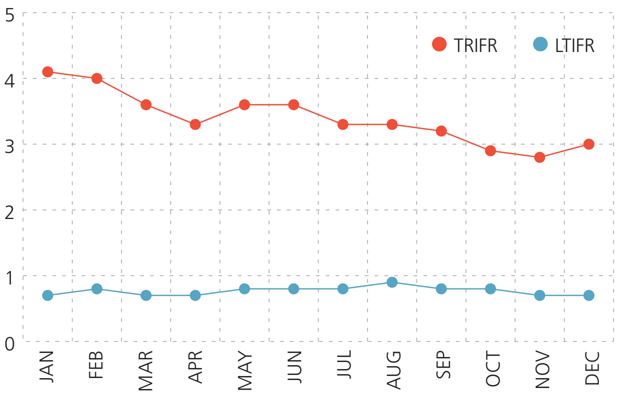
Lost time injury frequency rates:



Total recordable injury frequency rates:



2012 Injury frequency rates
(12-month moving average per million hours)

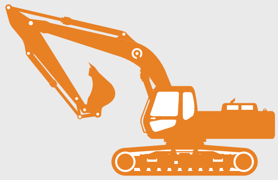


Notes:

1. Frequency rates: number of injuries or illnesses for the required indicator x 1,000,000 / total exposure hours. This figure includes employees and contractors.
2. At the time of announcement and publication, the figures represented in this Sustainability section were still in the process of being independently assured for MMG's 2012 Sustainability Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Underground operations at Rosebery, Australia.



RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Group recorded a solid operating performance in 2012 with the financial result of Kinsevere consolidated from 17 February 2012.

For the purpose of the management discussion and analysis, the Group's results for the year ended 31 December 2012 are compared to results for the year ended 31 December 2011.

YEAR ENDED 31 DECEMBER (CONTINUING OPERATIONS)	2012 US$ MILLION	2011 US$ MILLION	CHANGE %
Revenue	**2,499.4**	**2,228.3**	**12**
Operating expenses	(1,446.4)	(1,158.1)	25
Administrative expenses	(125.3)	(125.3)	0
Exploration expenses	(77.3)	(64.0)	21
Other income and expenses	2.8	(33.0)	–
Significant non-recurring items	–	215.9	–
EBITDA	**853.2**	**1,063.8**	**(20)**
Depreciation and amortisation	(447.6)	(308.5)	45
EBIT	**405.6**	**755.3**	**(46)**
Net finance costs	(87.7)	(46.2)	90
Profit before tax	**317.9**	**709.1**	**(55)**
Income tax expense	(100.4)	(225.5)	(55)
Profit	**217.5**	**483.6**	**(55)**

The Group's management determined the operating segments based on reports reviewed by its Executive Committee. The Group's continuing operations are managed on an operating site-by-site basis, with exploration, development and corporate activities being classified as 'other'. The Group's mining operations comprise Sepon, Kinsevere, Century, Rosebery and Golden Grove.

	REVENUE			UNDERLYING EBITDA		
YEAR ENDED 31 DECEMBER (CONTINUING OPERATIONS)	2012 US$ MILLION	2011 US$ MILLION	CHANGE %	2012 US$ MILLION	2011 US$ MILLION	CHANGE %
Sepon	806.2	816.9	(1)	491.4	529.4	(7)
Kinsevere[(i)]	279.9	–	N/A	131.1	–	N/A
Century	752.9	750.4	0	283.6	293.0	(3)
Rosebery	267.5	272.5	(2)	85.7	108.6	(21)
Golden Grove	392.9	388.5	1	67.9	101.6	(33)
Other	–	–	–	(206.5)	(184.7)	(12)
Total	**2,499.4**	**2,228.3**	**12**	**853.2**	**847.9**	**1**

(i) MMG acquired Kinsevere following the acquisition of Anvil. The financial result of Kinsevere has been consolidated from 17 February 2012.

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

REVENUE

The Group's continuing operations generated revenue of US$2,499.4 million in the year ended 31 December 2012, which was US$271.1 million (12%) higher than in the year ended 31 December 2011. Kinsevere was consolidated from 17 February 2012 and contributed US$279.9 million to the Group's revenue.

Increased revenue from higher total sales volumes for the Group was offset by the impact of lower average realised prices in 2012 compared to 2011.

PRICE

Lower average LME base metals prices during 2012 compared to 2011 had an unfavourable impact on revenue.

AVERAGE LME CASH PRICE	2012	2011	CHANGE %
Copper (US$/tonne)	7,950	8,806	(10)
Zinc (US$/tonne)	1,946	2,190	(11)
Lead (US$/tonne)	2,061	2,396	(14)
Gold (US$/ounce)	1,668	1,568	6
Silver (US$/ounce)	31.15	35.15	(11)

SALES VOLUMES

The strong and consistent performance at Sepon and successful integration and ramp-up of Kinsevere resulted in a 39% increase in copper sales in 2012.

Following the completion of the acquisition of Anvil, copper cathode produced at Kinsevere increased sales volumes by 35,698 tonnes. Efficiency improvements increased copper cathode production at Sepon leading to an additional 5,642 tonnes of copper sold in 2012.

Higher zinc sales from Century following record annual production, were more than offset by reduced zinc sales volumes from Rosebery and Golden Grove. Mining activity at Rosebery was temporarily restricted in the third quarter 2012 due to a seismic event in the mine, which also impacted concentrate available to ship to customers. The mine plan at Golden Grove favoured copper production in 2012 resulting in lower zinc concentrate production and sales.

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER	2012	2011	CHANGE %
Copper (tonnes)	148,850	106,794	39
Zinc (tonnes)	543,420	550,117	(1)
Lead (tonnes)	51,979	51,560	1
Gold (ounces)	129,577	113,419	14
Silver (ounces)	**4,247,586**	**2,888,576**	**47**

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2012	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES
Sepon	85,150	–	–	67,400	33,441
Kinsevere(i)	35,698	–	–	–	–
Century	–	443,562	21,850	–	48,392
Rosebery	2,129	62,283	22,282	31,136	2,356,691
Golden Grove	25,873	37,575	7,847	31,041	1,809,062
Total	**148,850**	**543,420**	**51,979**	**129,577**	**4,247,586**

(i) MMG acquired Kinsevere following the acquisition of Anvil. The financial result of Kinsevere has been consolidated from 17 February 2012.

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2011	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES
Sepon	79,508	–	–	71,128	37,993
Kinsevere[(i)]	–	–	–	–	–
Century	–	419,250	25,112	–	123,895
Rosebery	983	70,906	23,068	24,857	1,720,599
Golden Grove	26,303	59,961	3,380	17,434	1,006,089
Total	**106,794**	**550,117**	**51,560**	**113,419**	**2,888,576**

(i) MMG acquired Kinsevere following the acquisition of Anvil. Production and sales data is shown from 1 March 2012.

Operating expenses increased by US$288.3 million (25%) in 2012 to US$1,446.4 million. Kinsevere contributed US$149.2 million of this increase and US$139.1 million was attributable to other sites. Operating expenses represent the expenses of operating assets, excluding depreciation and amortisation and other income and expense items.

Operating expenses were well managed in 2012 amid industry-wide cost pressures, particularly in Australia. The period saw an increased focus on asset utilisation and productivity improvements aimed at maximising the efficiency of operating assets. A strategic review was completed at Golden Grove in 2012 to ensure that the operation is positioned to achieve sustainable long-term profitability. As a result, Golden Grove restructured its operation to focus on the mining of the new Copper Oxide Open Pit and the need for less ore from underground operations.

The US$139.1 million increase in operating expenses at other sites was driven by increased ore movement, production and sales volumes. Total operating expenses were also impacted unfavourably by non-recurring costs associated with the strategic review of Golden Grove, the commissioning of the Copper Oxide Open Pit, the replacement upgrade of some sections of the Century concentrate pipeline, and risk-mitigating actions implemented following seismic activity at Rosebery. These items are further discussed under Segment Analysis.

Exchange rates did not significantly impact operating costs for the current period compared to 2011.

Administrative expenses of US$125.3 million in 2012 were unchanged from the previous year as a result of tight cost control, and despite upward pressure on wages (2011: US$125.3 million).

The Group continued to invest in foundation and growth activities, expected to deliver future value to the Group, and focused on implementing a long-term business model. Approximately 24% of administrative expenses related to foundation and growth activities in 2012.

Foundation activities undertaken in 2012 included rebranding and repositioning MMG following the change of the Company's name and further investment in the standardisation and simplification of business management systems and processes. Growth activities included the integration of Kinsevere, increased investment in the Company's graduate program, and continued expenditure focused on the upgrade and scalability of IT infrastructure.

A further 14% of expenditure targeted operational efficiency in 2012 including initiatives in business improvement, procurement and asset utilisation that resulted in immediate benefits during the year. Asset utilisation across the Group improved 5% on average compared to the baseline established at the beginning of 2012. These improvements reflect higher throughputs leading to increased production, positively impacting the Group's financial performance. The focus on asset utilisation will continue in 2013 with particular emphasis on Kinsevere.

Other administrative expenditure related to the provision of business support services and the delivery of corporate activities (net of corporate recharges).

Exploration expenses increased US$13.3 million (21%) to US$77.3 million in 2012. Mine district exploration at Kinsevere contributed US$8.7 million to this increase.

The Group invested US$53.6 million in mine district exploration (2011: US$45.5 million) aimed at sustaining and expanding current Ore Reserves and increasing the mine life of existing assets.

US$23.7 million was invested in new discovery and project generation programs (2011: US$18.5 million) in Australia, the Americas and Africa.

Following the acquisition of Kinsevere, a Southern African exploration hub was established.

Other income and expenses had an aggregate favourable US$2.8 million impact on EBIT in 2012 and an unfavourable US$33.0 million impact on EBIT in 2011. This category includes sundry income, gains/(losses) on disposal of property plant and equipment and investments, unrealised gains/(losses) on financial assets recognised at fair value through profit or loss, exchange gains/(losses), and other corporate and sundry expense items.

Significant non-recurring items recognised during 2011 were as follows:

- The Group realised a gain of US$152.1 million (US$114.8 million after tax) from the disposal of shares held in Equinox Minerals Limited (Equinox); and
- The Group wrote back business acquisition costs of US$63.8 million (US$63.8 million after tax), which were accrued in 2010 in respect of the acquisition of Minerals and Metals Group.

To assist with the comparability of results, adjustments have been made below to exclude significant non-recurring items from underlying measures of financial performance. A reconciliation of EBITDA to underlying EBITDA and profit to underlying profit is presented below:

YEAR ENDED 31 DECEMBER (CONTINUING OPERATIONS)	2012 US$ MILLION	2011 US$ MILLION
EBITDA	**853.2**	**1,063.8**
Adjustments for significant non-recurring items:		
Gain on disposal of available-for-sale financial assets	–	(152.1)
Write-back of business acquisition expenses	–	(63.8)
Underlying EBITDA	**853.2**	**847.9**

YEAR ENDED 31 DECEMBER (CONTINUING OPERATIONS)	2012 US$ MILLION	2011 US$ MILLION
Profit	**217.5**	**483.6**
Adjustments for significant non-recurring items:		
Gain on disposal of available-for-sale financial assets (after tax)	–	(114.8)
Write-back of business acquisition expenses (after tax)	–	(63.8)
Underlying profit	**217.5**	**305.0**

Depreciation and amortisation expenses increased by US$139.1 million to US$447.6 million in 2012. Kinsevere contributed US$70.7 million of the increase. The remaining increase was primarily driven by significant increases in rehabilitation and restoration assets in December 2011 (resulting in a higher amortisation expense in 2012) and increased mining activity, offset by the extension in mine life and upward revision in Ore Reserves at Golden Grove in late 2011.

Net finance costs increased by US$41.5 million to US$87.7 million in 2012. The increase is attributable to an increase of US$25.4 million in interest expense and finance charges due to higher levels of external borrowings and an increase of US$18.2 million in interest unwind due to significantly higher environmental provisions, offset by a US$2.1 million increase in interest income earned in relation to cash and short-term deposits.

Income tax expense decreased by US$125.1 million to US$100.4 million during 2012 reflecting the decrease in profit before income tax for the Group. The 2012 effective tax rate of 31.6% (2011: 31.8%) is consistent with the applicable taxation rates in Australia (30.0%), Laos (33.3%) and the DRC (30.0%), the major jurisdictions in which the Group operates.

SEGMENT ANALYSIS

Refer to the Operational Review on pages 18–27.

CASH FLOW ANALYSIS

NET CASH FLOW

Net cash flow for 2012 reflected increased investments to support the long-term growth strategy of the Company.

YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION
Continuing operations		
Operating cash flows	655.3	699.7
Investing cash flows	(2,158.1)	379.3
Financing cash flows	434.5	(338.4)
	(1,068.3)	**740.6**
Discontinued operations cash flows	–	(46.5)
Net cash flow – (decrease)/increase	**(1,068.3)**	**694.1**

Net operating cash flows decreased by 6% to US$655.3 million in 2012 consistent with flat underlying EBITDA and adverse working capital movements, offset by lower tax paid.

Net investing cash outflows were US$2,158.1 million in 2012, compared to a net cash inflow of US$379.3 million in 2011.

Investment expenditure in 2012 included US$1,310.5 million to acquire Anvil. During 2011, the Group received a US$252.3 million net cash inflow from the purchase (US$58.9 million) and sale (US$311.2 million) of Equinox shares and US$503.0 million consideration from the disposal of the trading, fabrication and other operations.

During 2012, the Group invested US$752.4 million in the purchase of property, plant and equipment and the development of software. This included US$284.6 million expenditure on major development and capital projects. Investment in mine development was US$262.2 million (2011: US$226.4 million).

CAPITAL EXPENDITURE ON MAJOR PROJECTS YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION	TOTAL TO DATE US$ MILLION
Dugald River	223.6	58.1	288.4
Izok Corridor	36.6	–	36.6
Copper Oxide Copper Pit – Golden Grove	24.4	0.6	25.0
Total	**284.6**	**58.7**	**350.0**

Net financing cash inflows were US$434.5 million in 2012 compared to net cash outflows of US$338.4 million in 2011.

The acquisition of Anvil was financed through cash reserves of US$1,010.5 million and a loan from Shareholder, Album Enterprises Limited (Album Enterprises) in February 2012 for US$300.0 million. In June 2012, the Group successfully refinanced borrowings of US$751.0 million for a term of five years and in August 2012, announced the drawdown of a further US$300.0 million pursuant to two 12-month working capital facilities for US$150.0 million each entered with each of Industrial and Commercial Bank of China Limited, Sydney Branch (ICBC), and Australia and New Zealand Banking Group Limited (ANZ).

FINANCIAL RESOURCES AND LIQUIDITY

YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION	CHANGE US$ MILLION
Total assets	4,659.2	3,453.5	1,205.7
Total liabilities	2,973.4	1,959.1	1,014.3
Total equity	**1,685.8**	**1,494.4**	**191.4**

Total equity increased by US$191.4 million to US$1,685.8 million as at 31 December 2012, mainly reflecting profit for the period net of dividends paid to non-controlling interests. The increase in Group assets and liabilities in 2012 was driven by the consolidation of Anvil assets and liabilities from 17 February 2012, the US$300.0 million loan from Album Enterprises to partially fund the Anvil acquisition and the further US$300.0 million drawdown in Group borrowings in August 2012.

The Group monitors capital using a gearing ratio defined as total borrowings (excluding finance charge prepayments) less cash and bank deposits divided by the aggregate of total borrowings plus total equity. The change in the gearing ratio to 0.46 is mainly attributable to the acquisition of Anvil in 2012.

YEAR ENDED 31 DECEMBER	2012 US$ MILLION	2011 US$ MILLION
Total borrowings	1,645.5	1,081.1
Less: Cash and cash equivalents	102.1	1,096.5
Net debt/(cash)	**1,543.4**	**(15.4)**
Total borrowings	1,645.5	1,081.1
Total equity	1,685.8	1,494.4
	3,331.3	2,575.5
Gearing ratio	**0.46**	**N/A**

The Group's cash and cash equivalents amounting to US$102.1 million (2011: US$1,096.5 million) were mainly denominated in $US as set out in Note 23 to the Financial Statements.

As at 31 December 2012, the Group's borrowings (excluding finance charge prepayments) were as follows:

» 81.7% were bank borrowings, 18.2% were loans from related parties and 0.1% finance lease liabilities;
» 99.9% were denominated in US$ and 0.1% in A$;
» 99.9% were at floating rates and 0.1% at fixed rates; and
» 22.7% were repayable within one year, 24.9% were repayable between one and two years, and 52.4% were repayable between two and five years.

The Group's capital and non-capital commitments as at 31 December 2012 amounted to US$376.5 million (2011: US$67.9 million) as discussed further in Note 33 to the Financial Statements. The Group's gearing ratio was 0.46 as at 31 December 2012.

DEVELOPMENT PROJECTS

Refer to Development Projects on pages 28–31.

PEOPLE

As at 31 December 2012, the Group employed a total of 4,979 full-time equivalent employees (2011: 3,677) in its continuing operations (excluding contractors and casual employees) with the majority of employees based in Australia, Laos and the DRC.

The additional 1,302 full-time equivalent employees include:

» the additional 630 employees at the Kinsevere mine;
» an increase of approximately 700 employees at Sepon, including the conversion of casual staff to direct employees and the transition to an owner-operated mine; and
» a decrease of approximately 100 employees at Golden Grove, following the strategic review and rationalisation of the operation.

Total staff costs for the Group's continuing operations for 2012, including directors' emoluments totalled US$392.8 million (2011: US$331.5 million).

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

MATERIAL ACQUISITIONS AND DISPOSALS

ACQUISITION OF ANVIL

The Group acquired Anvil in February 2012, a company incorporated in Canada with its common shares listed on the Toronto Stock Exchange, for aggregate consideration of US$1,310.5 million. The key asset of Anvil was the Kinsevere mine, an open-cut copper mine located in the Katanga Province of the DRC. Further details of the acquisition are disclosed in Note 26 to the Financial Statements.

The Group did not make any other material acquisitions or disposals in 2012.

DIVESTMENT OF THE TRADING, FABRICATION AND OTHER OPERATIONS OF THE COMPANY

In December 2011, the Group completed the sale of its interest in the trading, fabrication and other downstream operations to a controlling Shareholder, CMN, for aggregate consideration of US$726.8 million. Further details of the disposal are disclosed in Note 36 to the Financial Statements.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks including commodity price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk, equities price risk and sovereign risk.

Financial risk management (including the use of financial instruments for hedging purposes) is carried out by the Group Treasury function under policies approved by the Board. Group Treasury identifies, evaluates and manages financial risks in close cooperation with the Group's operating units.

A discussion of the Group's financial risk management and capital risk management is included in Note 4 to the Financial Statements.

CONTINGENT LIABILITIES

The Company and its subsidiaries are defendants from time to time in legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position.

Additionally, certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company. These are primarily associated with the terms of mining leases or exploration licences. As at 31 December 2012 no claims had been made under these guarantees.

Further details are provided in Note 34 to the Financial Statements.

CHARGES ON ASSETS

As at 31 December 2012, the following banking facilities granted to the Group required certain assets to be charged:

» the US$751.0 million facility granted by China Development Bank Corporation (CDB) and Bank of China Limited (BOC) Sydney to Album Resources Private Limited (Album Resources) and MMG Management Pty Ltd (MMG Management) dated 12 June 2012 (US$751.0 million Facility), with respect to a borrowing of US$751.0 million;

» the US$200.0 million facility granted by CDB to Album Resources dated 12 June 2009 (US$200.0 million Facility), with respect to a borrowing of US$170.0 million; and

» the A$350.0 million bank guarantee facility between MMG Management and BOC Sydney (A$350.0 million Facility).

The charges in respect of the US$751.0 million and US$200.0 million Facilities are:

» a first ranking equitable mortgage over 100% of the shares held in Album Resources' wholly owned subsidiary, Album Investment Private Limited (Album Investment);

» a first ranking equitable mortgage over 100% of the shares in certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; and

» a share charge over 70% of the shares in certain other subsidiaries of Album Investment including MMG Laos Holdings Limited.

The security in respect of the A$350.0 million Facility is a second ranking equitable mortgage over the assets described above.

CAPITAL EXPENDITURE AND COMMITMENTS

The capital expenditure of the Group during 2012 is described in the Cash Flow Analysis section above and the Group's capital and non-capital commitments as at 31 December 2012 are outlined in the Financial Resources and Liquidity section.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' BIOGRAPHIES

CHAIRMAN

MR WANG LIXIN

Mr Wang, aged 45, was appointed the Chairman of the Company on 1 April 2011. He is a member of the Company's Remuneration and Nomination Committee.

Prior to his appointment as the Chairman, Mr Wang served as an Executive Director and a Vice President of the Company from October 2005 until December 2007; a Non-executive Director from January 2008 until June 2009; the Vice Chairman and a Non-executive Director from July 2009 until December 2009; and a Non-executive Director from December 2009 until his appointment as the Chairman in April 2011. Mr Wang has also served as a Director of a number of subsidiaries of the Company.

Mr Wang has also been an Independent Director of Maike Metals International Limited since January 2013.

Mr Wang holds a Bachelor of Arts in International Trade from the University of International Business and Economics in the People's Republic of China and has more than 14 years' experience in foreign trade and corporate management, as well as five years' experience with government services.

Mr Wang joined the Ministry of Foreign Trade and Economic Cooperation in 1990 and the CMC Group in 1995. From 2007 to 2009, he was the President of CMN and a Director of Shanxi Guanlv Co. Ltd, a company listed on the Shenzhen Stock Exchange (Shanxi Guanlv) from April 2009 to December 2009.

EXECUTIVE DIRECTORS

MR ANDREW GORDON MICHELMORE

Mr Michelmore, aged 60, was appointed as an Executive Director and the CEO of the Company in December 2010. He is a member of the Company's SHEC Committee.

Mr Michelmore is also a Director of a number of subsidiaries of the Company. Mr Michelmore was the Managing Director and CEO of Minerals and Metals Group from its formation in June 2009 until its acquisition by the Company in December 2010. Prior to joining Minerals and Metals Group, Mr Michelmore was the CEO of Zinifex Limited followed by OZ Minerals Limited. He is a Director of Century Aluminum Company (a company listed on the NASDAQ and the Iceland Stock Exchange). Prior to his role as the CEO of Zinifex Limited, Mr Michelmore spent two years working in London and Russia as the CEO of En+ Group.

Mr Michelmore has more than 30 years' experience in the metals and mining industry including 12 years at WMC Resources Limited, where he was the CEO, and prior to that, he held senior roles in the company's nickel, gold, alumina, copper, uranium and fertiliser businesses.

Mr Michelmore holds a First Class Honours degree in Engineering (Chemical) from the University of Melbourne and a Master of Arts in Politics, Philosophy and Economics from Oxford University. He is a Fellow of the Institution of Chemical Engineers, the Institution of Engineers Australia and the Australian Academy of Technological Sciences and Engineering.

Mr Michelmore is also Chairman of the International Zinc Association (IZA), Chairman of the Jean Hailes Foundation for Women's Health, Chairman of the Council of Ormond College at the University of Melbourne and a member of the ICMM, Minerals Council of Australia and the Business Council of Australia.

MR DAVID MARK LAMONT

Mr Lamont, aged 47, was appointed as an Executive Director and the CFO of the Company in December 2010.

Mr Lamont is also a Director of a number of subsidiaries of the Company. He served as the CFO of Minerals and Metals Group from its formation in June 2009 until its acquisition by the Company in December 2010. Prior to that, Mr Lamont was the CFO of OZ Minerals Limited from October 2008 until June 2009.

Mr Lamont holds a Bachelor of Commerce degree and is a qualified Chartered Accountant. He is a member of the Institute of Chartered Accountants and was an Audit Supervisor at Deloitte Haskins and Sells before commencing a corporate career.

After progressing through a number of senior roles in the chemical and agricultural industries, Mr Lamont was appointed the CFO of Incitec Limited in 1999. He joined BHP Billiton in 2001 where he held a number of senior roles including the CFO of BHP Billiton's Energy Coal and Carbon Steel Materials Groups. He joined OZ Minerals Limited from PaperlinX Limited, where he had served as the CFO since 2006. He was appointed an Executive Director of PaperlinX in February 2008, resigning in September 2008.

NON-EXECUTIVE DIRECTORS

MR JIAO JIAN

Mr Jiao, aged 44, was appointed as a Non-executive Director of the Company in December 2010, and is a member of the Company's Remuneration and Nomination Committee.

Mr Jiao is a Director of certain subsidiaries of the Company. He has also been a Director and the President of CMN since December 2009 and May 2010 respectively, and a Director and the President of China Minmetals Non-ferrous Metals Holding Company Limited (CMNH) since December 2009 and January 2011 respectively. Mr Jiao has been the Chairman of Album Enterprises since November 2011 and a Director of Hunan Nonferrous Metals Holdings Group Co., Ltd (HNG) since July 2010. He is a Director of Copper Partners Investment Co., Ltd (Copper Partners Investment). Mr Jiao has also been the Chairman of the board of directors of Shanxi Guanlv since April 2010.

Mr Jiao holds a Bachelor's degree in International Economics from the Nankai University in the People's Republic of China and a Master of Business Administration from Saint Mary's University in Canada. He has extensive experience in international trade, investment and corporate management.

Mr Jiao joined the CMC Group in 1992. He was the Vice President of CMN from 2007 to May 2010.

MR XU JIQING

Mr Xu, aged 45, was appointed as a Non-executive Director of the Company in May 2009 and is a member of the Company's Audit Committee.

Mr Xu is a Director of a number of subsidiaries of the Company. He has been the CFO of CMN since December 2005 and the Vice President and CFO of CMN since December 2007. Mr Xu has also been a Director of CMNH since December 2009 and a Vice President and CFO of CMNH since January 2011. He has been a Director of Album Enterprises and HNG since December 2005 and July 2010 respectively. Mr Xu is also a Director of Copper Partners Investment.

Mr Xu holds a Bachelor's degree in Accounting from the University of International Business and Economics in the People's Republic of China, and a Master of Business Administration from Saint Mary's University in Canada. He is a qualified senior accountant in the People's Republic of China and is a member of the Certified General Accountants Association of Canada. Mr Xu has extensive experience in accounting and corporate financial management.

Mr Xu joined the CMC Group in 1991. In 1997 he was the Manager of Finance at Minmetals Development Co. Ltd., and was later promoted to Vice General Manager in 1999 and General Manager in 2000. He was also the General Manager of Finance at China National Nonferrous Metals Industry Trading Group Corporation from July 2001 to April 2002, and the General Manager of Finance at CMN from April 2002 to December 2007.

MR GAO XIAOYU

Mr Gao, aged 43, was appointed as a Non-executive Director of the Company in April 2011. He is a member of the Company's SHEC Committee.

Mr Gao is a Director of certain subsidiaries of the Company. He has also served as the Vice President of CMNH since January 2011 and the Vice President of CMN since January 2008.

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

Mr Gao joined the CMC Group in 1993. He has worked in the Futures department of China Nonferrous Metals Import and Export Corporation from 1993 to 1997. Mr Gao was the General Manager of the Risk Management department of CMN from 2000 to 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR PETER WILLIAM CASSIDY

Dr Cassidy, aged 67, was appointed as an Independent Non-executive Director of the Company in December 2010. He is the Chairman of the Company's Remuneration and Nomination Committee and the SHEC Committee. Dr Cassidy is also a member of the Company's Audit Committee.

Dr Cassidy is a metallurgical engineer with more than 40 years' experience in the resource and energy sectors, including more than 20 years as a Director of major public companies. He was an Independent Non-executive Director of Oxiana Limited (2002 to 2007); Zinifex Limited (2004 to 2008); Sino Gold Mining Limited (2002 to 2009); Lihir Gold Limited (2003 to 2010); OZ Minerals Limited (2008 to 2009); and Energy Developments Limited (2003 to 2009). Dr Cassidy was also Non-executive Chairman of Allegiance Mining NL (April to July 2008) and a Director of Eldorado

Gold Corporation (2010). He was CEO of Goldfields Limited from 1995 until its merger with Delta Gold Limited in 2002 to form Aurion Gold Limited (AurionGold). Prior to 1995, Dr Cassidy was Executive Director – Operations of RGC Limited. He remained a Director of AurionGold until January 2003.

Dr Cassidy has most recently been involved in the development and operation of major mining and processing projects in Australia, the People's Republic of China, Laos, Papua New Guinea and the Cote d'Ivoire. He is also a member of the Board of Advice of the Monash University Division of Mining and Resources Engineering.

MR ANTHONY CHARLES LARKIN

Mr Larkin, aged 70, was appointed as an Independent Non-executive Director of the Company in November 2011. He is the Chairman of the Company's Audit Committee and a member of the Company's Remuneration and Nomination Committee.

Mr Larkin has been a Fellow of the Australian Society of Certified Practising Accountants and the Australian Institute of Company Directors since 1984 and 1992, respectively. He received his accounting education from Wollongong Technical College and Sydney Technical College. Mr Larkin has extensive experience in enterprise audit and risk management.

Mr Larkin has been a Non-executive Director of Incitec Pivot Limited (a company listed on the Australian Stock Exchange) since 2003. He is chair of the Audit and Risk Committee and a member of the Nominations Committee of Incitec Pivot Limited. Mr Larkin has also been a Director of Oakton Limited (a company listed on the Australian Stock Exchange) since 2009. He chairs the Audit and Risk Committee and is a member of the Remuneration and Appointments Committee of Oakton Limited.

Mr Larkin was previously a Director of Corporate Express Australia Limited, a company listed on the Australian Stock Exchange (2004 to 2010), and Eyecare Partners Limited, a company listed on the Australian Stock Exchange (2007 to 2010), being the Chairman of their respective Audit and Risk Committees. Mr Larkin was also a Director and Chairman of the Audit and Risk Committee and Remuneration and Appointments Committee of OZ Minerals Limited, a company listed on the Australian Stock Exchange (2008 to 2009), a Director and Chairman of the Audit and Risk Committee and a member of the Remuneration and Appointments Committee of Zinifex Limited, a company formerly listed on the Australian Stock Exchange (2004 to 2008), Chairman of the company and member of the Remuneration and Appointments Committee of Ausmelt Limited, a company formerly listed on the Australian Stock Exchange (2003 to 2007), and the Executive Director of Finance of Orica Limited, a company listed on the Australian Stock Exchange (1998 to 2002).

MR LEUNG CHEUK YAN

Mr Leung, aged 61, was appointed as an Independent Non-executive Director of the Company in July 2012. He is a member of the Company's Audit Committee and a member of the Remuneration and Nomination Committee.

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

BIOGRAPHIES OF SENIOR MANAGEMENT

MR MARCELO BASTOS
CHIEF OPERATING OFFICER

Mr Bastos, aged 50, has served on the Executive Committee of the Company since June 2011 in his capacity as the Chief Operating Officer with responsibility for all mining operations. He is also a Director of a number of subsidiaries of the Company.

Prior to joining the Company, Mr Bastos was CEO of BHP Billiton Mitsubishi Alliance from 2008 to 2011 and, prior to that, President of BHP Billiton Nickel West from 2007 to 2008. He was also President of Cerro Matoso Nickel, a BHP Billiton company in Colombia, from 2004 to 2006.

Mr Bastos commenced his career at Vale and worked with iron ore, gold and copper from 1985 to 2004. His most senior roles at Vale were General Manager at Carajas mines complex in Brazil and Director Non-ferrous Operations.

Mr Bastos has 26 years' international mining experience in the iron ore, gold, copper, nickel and coal sectors. He is a qualified mechanical engineer graduating from Universidade Federal de Minas Gerais, and also holds a Master of Business Administration in Management from Fundação Dom Cabral, both in Brazil.

Mr Bastos has trained at the Columbia Business School and Kellogg School of Management in the United States, Cranfield Business School in the United Kingdom and INSEAD in France. He has been a member of the Western Australia Chamber of Mines and Energy and was Vice President of the Queensland Resources Council. Mr Bastos has also been a Non-executive Director of Golding Contractors Pty Ltd in Queensland, Australia since February 2012.

MR MICHAEL NOSSAL
EXECUTIVE GENERAL MANAGER – BUSINESS DEVELOPMENT

Mr Nossal, aged 54, has served on the Executive Committee of the Company since January 2011 in his capacity as the Executive General Manager – Business Development, a role he previously held at Minerals and Metals Group from January 2010 until its acquisition by the Company in December 2010. He is also a Director of a number of subsidiaries of the Company.

Prior to joining Minerals and Metals Group, Mr Nossal was the Deputy CEO of En+ Group, where he was responsible for corporate finance, strategy and business development and execution of key merger and acquisition projects. Prior to En+, Mr Nossal was Executive General Manager Business Strategy and Development at WMC Resources Limited, where he was responsible for business development, corporate planning, exploration, technical research and project development.

Mr Nossal has also held senior roles at Normandy Mining Limited and Kenmare Resources Limited. Between these roles, Mr Nossal spent several years in investment banking as Associate Director at Macquarie Corporate Finance, where he worked in the resources team on public market mergers and acquisitions, project finance and mining asset sales and acquisitions.

Mr Nossal holds a Bachelor's degree in Science from Monash University in Melbourne and a Master of Business Administration from the Wharton School of the University of Pennsylvania. He is also a Non-executive Director of Nord Gold NV.

MR STEVE RYAN
EXECUTIVE GENERAL MANAGER – EXPLORATION

Mr Ryan, aged 49, has served on the Executive Committee of the Company since 24 January 2011 in his capacity as the Executive General Manager – Exploration, a role he previously held at Minerals and Metals Group from June 2009 until its acquisition by the Company in December 2010. He is also a Director of a number of subsidiaries of the Company.

Mr Ryan has 25 years' international experience in the mineral exploration industry. He worked for the CRA/Rio Tinto Group in various positions including: Country Exploration Manager positions in India, Papua New Guinea and Fiji; and geologist positions in Russia, Australia and other countries. Mr Ryan has held positions with Oxiana Limited as China Country Exploration Manager and OZ Minerals Limited as Asia Exploration General Manager. He has also had three years' experience in the venture capital industry as an Investment and Business Development Manager for an international venture capital group.

Mr Ryan has a Bachelor degree in Geology and a Master of Business Administration in International Business. He is also a Director of Sama Resources Inc., a company listed on the Toronto Stock Exchange.

MR TIM SCULLY
EXECUTIVE GENERAL MANAGER – BUSINESS SUPPORT

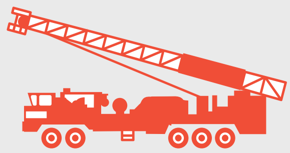
Mr Scully, aged 65, has served on the Executive Committee of the Company since January 2011 in his capacity as the Executive General Manager – Business Support, a role he previously held at Minerals and Metals Group from June 2009 until its acquisition by the Company in December 2010. He is a Director of a number of subsidiaries of the Company.

Prior to joining Minerals and Metals Group, Mr Scully was the Executive General Manager – Human Resources of OZ Minerals Limited from November 2008 until June 2009. He has experience in shared services, leadership development, talent management and succession planning and human resource systems and processes. Prior to joining OZ Minerals Limited, Mr Scully was General Manager Organisation Development at Intrepid Mines. He was responsible for the development and rollout of the human resources merger implementation plan through the merger of Emperor and Intrepid in 2008.

Mr Scully has also worked as General Manager Organisation Development and Human Resources at Atlas Group Holdings from 2005 until 2007 and before that, as General Manager – Human Resources at WMC Resources Limited from 1989 to 2005.

DIRECTORS' REPORT

Open pit operations at Century, Australia.



The board of directors of the Company (Board) is pleased to present the Annual Report together with the audited Financial Statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

(a) mining, processing and production of zinc, copper, lead, gold and silver; and

(b) exploration for mineralisation and development of mining projects.

The full details of the principal activities of the Company's subsidiaries are set out in Note 17 to the Financial Statements.

An analysis of the Group's revenue for the year ended 31 December 2012 by reportable segments, together with their respective contributions to profit from operations (EBIT), is set out in Note 5 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the largest customer and the five largest customers in aggregate accounted for 15% and 47% of the total sales of the Group respectively. Purchases from the five largest suppliers to the Group in aggregate accounted for 12% of the total purchases of the Group during the year.

None of the directors or any of their associates or any Shareholders of the Company (which to the knowledge of the directors, owned more than 5% of the Company's share capital) had any beneficial interest in any of the five largest customers or suppliers of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Income Statement in the Financial Statements on page 90.

No interim dividend was declared for 2012 (2011: US$ Nil). The Board has given due consideration to the payment of dividends and determined that given the current focus on growth, the Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: US$ Nil).

RESERVES

Movements in reserves of the Group during the year are set out in Note 25 to the Financial Statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2012 are set out in Note 25 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 15 to the Financial Statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2012 are set out in Note 28 to the Financial Statements.

Other than as disclosed in the Company's announcements on the Stock Exchange on 13 June 2012 and 22 August 2012, the Company and its subsidiaries have not entered into a loan agreement that includes a condition imposing specific performance obligations on any controlling Shareholder, where a breach of such an obligation would cause a default in respect of loans that are significant to the operations of the issuer.

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

In accordance with the continuing disclosure requirements under Rule 13.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Listing Rules), below are the details of the Group's facility agreements, which contain covenants requiring specific performance obligations of the controlling Shareholders of the Company.

Facilities granted by China Development Bank Corporation (CDB Facilities) and Bank of China Limited (BOC Facilities)

On 13 June 2012, Album Resources and MMG Management, each a wholly owned subsidiary of the Company, entered into the 2012 US$751.0 million Facility, pursuant to which:

» CDB agreed to provide Album Resources with a US$366.0 million cash facility (Tranche A Facility). Such loan is to be repaid by instalments on the specified dates set out in the facility agreement, the last date of such repayment being 10 June 2017. Such facility has been fully drawn down and applied towards the refinancing of the US$366.0 million facility granted by CDB to Album Resources in 2009; and

- BOC Sydney agreed to provide MMG Management with a US$385.0 million cash facility (Tranche B Facility). Such loan is to be repaid by instalments on the specified dates set out in the facility agreement, the last date of such repayment being 10 June 2017. Such facility has been fully drawn down and applied to an intra-group loan extended by MMG Management to MMG Century Limited (MMG Century) to repay the US$385.0 million facility granted by BOC Sydney to MMG Century in 2010.

Pursuant to the terms of the 2012 US$751.0 million Facility, on the occurrence of the following events (amongst others), CDB and/or BOC Sydney may declare all outstanding loans under the Tranche A Facility and/or the Tranche B Facility immediately due and payable:

- CMN ceases to legally and beneficially own at least 51% of the issued share capital of the Company; or
- CMN (a) ceases to beneficially hold at least 51% of the issued share capital of Album Resources; or (b) does not have any of the following: (1) the power to cast, or control the casting of, at least 51% of the maximum number of votes that might be cast at a general meeting of Album Resources; or (2) the ability to appoint or remove all, or the majority, of the directors of Album Resources; or (3) the power to give directions with respect to the operating and financial policies of Album Resources with which the directors of Album Resources are obliged to comply.

Facilities granted by CDB
Album Resources has been granted by CDB a loan not exceeding US$200.0 million for a term of not more than seven years from 12 June 2009, during which the loan is to be repaid over the last five years, on the specified dates set out in the facility agreement (the CDB 7-year Facility). The CDB 7-year Facility has been fully drawn down.

Pursuant to the CDB 7-year Facility, CMN undertook, amongst others, that prior to repayment under the facility, CMN would remain a controlling Shareholder of the Company and certain subsidiaries of the Company, namely, Album Resources, Album Investment and MMG Century.

Facility granted by BOC Singapore
Album Resources has been granted by BOC Singapore a US$144.0 million cash facility, which is to be repaid by instalments on the specified dates set out in such facility agreement, the last date of such repayment being 10 June 2016 (BOC Singapore Facility). CMN acted as the guarantor of such facility.

Under the BOC Singapore Facility, a review event will occur in the event Album Resources ceases to be a subsidiary of CMN, which event entitles the borrower to elect to repay all outstanding monies, or if such election is not made, the lender may declare all of the outstanding monies due and payable.

Facilities granted by ANZ and ICBC
On 22 August 2012, MMG Finance Limited was granted by each of ANZ and ICBC a US$150.0 million loan facility, totalling US$300.0 million in aggregate, for a term of one year from the date of the facilities.

Under these facilities, an event of default will occur in the event the Company ceases to be a subsidiary of CMN or MMG Finance Limited ceases to be a wholly owned subsidiary of the Company, and the banks may declare all outstanding loans under the facilities immediately due and payable.

Please refer to the announcements of the Company on 10 January 2011, 14 June 2012 and 22 August 2012 for further details of the facilities referred to above.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 150 to 151.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 24 to the Financial Statements.

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately US$241,626.

DIRECTORS

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

CHAIRMAN

Mr Wang Lixin (Non-executive Director)

VICE CHAIRMAN

Mr Hao Chuanfu (Executive Director)
(Resigned on 29 March 2012)

EXECUTIVE DIRECTORS

Mr Andrew Michelmore (CEO)
Mr David Lamont (CFO)
Mr Li Liangang
(Resigned on 29 March 2012)

NON-EXECUTIVE DIRECTORS

Mr Jiao Jian
Mr Xu Jiqing
Mr Gao Xiaoyu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Peter Cassidy
Mr Anthony Larkin
Mr Leung Cheuk Yan
(Appointed on 9 July 2012)
Mr Loong Ping Kwan
(Retired on 30 May 2012)

In accordance with article 85 of the articles of association of the Company, Mr Leung Cheuk Yan will retire at the forthcoming Annual General Meeting (AGM) of the Company and, being eligible, offer himself for re-election.

In accordance with article 101 of the articles of association of the Company, Mr Andrew Michelmore, Mr Jiao Jian and Dr Peter Cassidy will retire by rotation at the forthcoming AGM of the Company and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2012, the interests and short positions of the directors and the CEO of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) as set out in Appendix 10 of the Listing Rules were as follows:

LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY

NAME OF DIRECTOR	NATURE OF INTEREST	NUMBER OF SHARES HELD	NUMBER OF UNDERLYING SHARES HELD[1]	APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[2]
Andrew MICHELMORE	Personal	371,000	–	0.007
David LAMONT	Personal	300,000	–	0.006
JIAO Jian	Personal	–	1,200,000	0.023
XU Jiqing	Personal	–	1,000,000	0.019

Notes:

1. The directors' interests in the underlying ordinary shares of HK$0.05 each in the share capital of the Company are through share options granted by the Company pursuant to the 2004 Share Option Scheme, details of which are set out under the section headed '2004 Share Option Scheme'.
2. The calculation is based on the number of shares/underlying shares as a percentage of the total number of issued shares of the Company (i.e. 5,289,607,889 shares) as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, none of the directors or the CEO of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code. In addition, none of the directors or the CEO of the Company or any of their associates had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the year ended 31 December 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2012, the interests of directors of the Company in a business which competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules, are as follows:

1. Mr Jiao Jian, a Non-executive Director of the Company, is:

» the President and Director of CMNH;
» the President and Director of CMN;
» a Director of HNG;
» a Director of Copper Partners Investment; and
» the Chairman of Album Enterprises.

2. Mr Xu Jiqing, a Non-executive Director of the Company, is:

» the Vice President, Director and CFO of CMNH;
» the Vice President and CFO of CMN;
» a Director of HNG;
» a Director of Copper Partners Investment; and
» a Director of Album Enterprises.

3. Mr Gao Xiaoyu, a Non-executive Director of the Company, is:

» the Vice President of CMNH; and
» the Vice President of CMN.

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

SHARE OPTION SCHEMES

2004 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 28 May 2004 (2004 Share Option Scheme), there were 3,600,000 options outstanding as at 31 December 2012, which represented approximately 0.07% of the total number of issued shares of the Company as at that date.

The following is a summary of the principal terms of the 2004 Share Option Scheme:

1. Purpose

To recognise and acknowledge the contributions that the eligible persons had made or may make to the Group.

2. Participants

Any directors or any employees of any company of the Group and any advisors of, consultants of, contractors to any company of the Group or any person who has any relationship (whether business or otherwise) with any company of the Group or any person whom the Board considers, in its sole discretion, appropriate.

3. Total number of shares available for issue under the 2004 Share Option Scheme

The total number of shares available for issue under the 2004 Share Option Scheme is 54,234,961 ordinary shares, representing approximately 1.03% of the issued share capital of the Company as at the date of this report.

4. Maximum entitlement of each participant

No option may be granted to any eligible person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible person under the 2004 Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules.

5. Period within which the shares must be taken up under an option

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

6. Minimum period for which an option must be held before it can be exercised

There is no general requirement of a minimum period for which an option must be held under the terms of the 2004 Share Option Scheme. However, the Board may in its absolute discretion set a minimum period.

7. Time of acceptance and the amount payable on acceptance of the option

An offer of an option may be accepted within 28 business days (or such shorter period as the Board shall determine) from the date of such offer and the amount payable on acceptance of such offer is HK$10.00.

8. Basis of determining the exercise price

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

(i) the closing price per share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option;

(ii) an amount equivalent to the average closing price per share of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the relevant option; and

(iii) the nominal value of a share of the Company.

9. The remaining life of the 2004 Share Option Scheme

The 2004 Share Option Scheme will remain in force until 27 May 2014.

During the year ended 31 December 2012, the movements of the options that have been granted under the 2004 Share Option Scheme were as follows:

				NUMBER OF OPTIONS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1]	EXERCISE PRICE PER SHARE HK$	EXERCISE PERIOD[2]	BALANCE AS AT 1 JANUARY 2012	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[3]	BALANCE AS AT 31 DECEMBER 2012
DIRECTORS									
JIAO Jian	3 June 2010	2.75	3 June 2012 to 2 June 2015	1,200,000	–	–	–	–	1,200,000
XU Jiqing	3 June 2010	2.75	3 June 2012 to 2 June 2015	1,000,000	–	–	–	–	1,000,000
EMPLOYEES OF THE GROUP	3 June 2010	2.75	3 June 2012 to 2 June 2015	5,100,000[4]	–	–	–	(3,700,000)	1,400,000
				7,300,000	–	–	–	(3,700,000)	3,600,000

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$2.69 per share.
2. The options granted may be exercised according to the following three tranches, which are subject to certain terms and conditions including, among others, the achievement of certain performance targets by the Group and the grantee:
   (i) up to 33% of the options granted to each grantee shall be exercisable at any time after the expiration of 24 months from the date of grant of options;
   (ii) up to 67% of the options granted to each grantee shall be exercisable at any time after the expiration of 36 months from the date of grant of options; and
   (iii) up to 100% of the options granted to each grantee shall be exercisable at any time after the expiration of 48 months from the date of grant of options, and in each case, not later than 2 June 2015.
3. This refers to options lapsed due to cessation of employment.
4. This includes 2,700,000 options granted to two directors who subsequently resigned as directors of the Company on 29 March 2012 but remained as directors of certain subsidiaries of the Company until August 2012.

2013 Share Option Scheme

In 2012 the Board adopted a new long-term incentive plan (save for the share option scheme component, which was subject to approval by the Shareholders under the requirements of Chapter 17 of the Listing Rules) to enable the Company to grant awards to selected employees of the Group as incentives or rewards for their contribution or potential contribution to the development and growth of the Group. On 26 March 2013, at an extraordinary general meeting (EGM), the Shareholders voted to approve the share option scheme under the long-term incentive plan (2013 Share Option Scheme).

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

The total number of shares available for issue under the 2013 Share Option Scheme is 528,960,788 ordinary shares, representing approximately 10% of the issued share capital of the Company as at the date of this Annual Report.

Under the 2013 Share Option Scheme, the maximum entitlement of each participant, the period during which the securities must be taken up and the basis of determining the exercise price, are consistent with the position under the 2004 Share Option Scheme as described above. No amount is payable upon the grant of an option under the 2013 Share Option Scheme and the minimum period for which such option must be held before it can be exercised is 12 months from the date of grant, subject to the Board having the right to determine a longer minimum period at the time of granting the option. As at the date of this Annual Report, no options had been granted under the 2013 Share Option Scheme.

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

So far as is known to the directors and CEO of the Company, as at 31 December 2012, the following persons had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

LONG POSITION IN THE SHARES OF THE COMPANY

NAME	CAPACITY	NUMBER OF SHARES HELD	APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[1]
China Minmetals Corporation (CMC)	Interest of controlled corporations[2,3]	3,793,558,916	71.72%
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations[2,3]	3,793,558,916	71.72%
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations[2,3]	3,793,558,916	71.72%
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations[2,3]	3,793,558,916	71.72%
Album Enterprises Limited (Album Enterprises)	Beneficial owner[3]	2,509,091,090	47.44%
Top Create Resources Limited (Top Create)	Beneficial owner[2]	1,284,467,826	24.28%

Notes:

1. The calculation is based on the number of shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued shares of HK$0.05 each (i.e. 5,289,607,889 shares) of the Company as at 31 December 2012.
2. Top Create is a wholly owned subsidiary of CMN, which in turn is owned as to approximately 93.6% by CMNH. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5% by CMC and approximately 0.8% by China National Metal Products Co. Ltd., which in turn is a wholly owned subsidiary of CMC. Accordingly, CMN, CMNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the 1,284,467,826 shares of HK$0.05 each of the Company held by Top Create as at 31 December 2012.
3. Album Enterprises is a wholly owned subsidiary of CMN. Accordingly, CMN, CMNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the 2,509,091,090 shares of HK$0.05 each of the Company held by Album Enterprises as at 31 December 2012.

Save as disclosed above, as at 31 December 2012, there was no other person who was recorded in the register of the Company, as having an interest or short positions in the shares or underlying shares of the Company which was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which was recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2012, the Group had the following material connected transactions, details of which are set out below:

1. On 15 September 2011, the Company entered into a Master Sale and Implementation Agreement pursuant to which CMN conditionally agreed to acquire:

» the Company's entire 100% equity interest in Minmetals Aluminium;

» Riseup Dragon Limited's entire 72.80% equity interest in NCA;

» Orienmet Industry Company Limited's entire 51% equity interest in Yingkou Orienmet; and

» Lontic (H.K.) Limited's entire 36.2913% equity interest in Changzhou Jinyuan

for a total consideration of US$726.8 million.

The shares of Minmetals Aluminium and NCA were acquired by a nominee of CMN, Aluminco Holdings Limited, a wholly owned subsidiary of CMN, and the shares of Yingkou Orienmet and Changzhou Jinyuan were acquired by CMN.

CMN is a controlling Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. As Aluminco Holdings Limited is a wholly owned subsidiary of CMN, it is a connected person of the Company under the Listing Rules. Accordingly, the acquisition by CMN and Aluminco Holdings Limited constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The divestments of Minmetals Aluminium and NCA were completed in December 2011 after the Company received approval from the Shareholders of the Company at an EGM held on 28 October 2011 and other necessary regulatory approvals were received by the parties.

On 14 May 2012, the Company announced that all final steps necessary to complete the acquisition by CMN of its equity interests in Yingkou Orienmet and Changzhou Jinyuan (together comprising US$29.9 million of the total consideration) had occurred.

2. On 30 September 2011, the Company entered into an unsecured acquisition finance facility agreement with Album Enterprises pursuant to which Album Enterprises agreed to make available to the Company up to US$1,000 million for the purpose of acquiring all of the issued shares of Anvil (Anvil Loan Facility). During the year ended 31 December 2011, no amounts were advanced or outstanding under the Anvil Loan Facility. On 16 February 2012, a loan in the amount of US$300 million was advanced to the Company under the Anvil Loan Facility. This loan had a term of one year from the date the advance was made. On 17 December 2012, the parties agreed to extend the term of the Anvil Loan Facility, and consequently the term of the loan advanced under the Anvil Loan Facility, for a period of one year.

   Album Enterprises is a substantial Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Anvil Loan Facility constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

3. On 7 June 2012, MMG Dugald River Pty Ltd (MMG Dugald River), a wholly owned subsidiary of the Company, entered into an agreement for the supply of goods and services with Minmetals Australia Pty Ltd (Minmetals Australia) pursuant to which Minmetals Australia agreed to supply accommodation modules and ancillary buildings and provide ancillary services to MMG Dugald River for the permanent village at the Dugald River project (Dugald River Agreement). For the year ended 31 December 2012, there were deliveries under the Dugald River Agreement to the value of approximately US$5.3 million, out of the total value of the Dugald River Agreement of approximately US$17.0 million.

   Minmetals Australia is a subsidiary of CMC and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. Accordingly, the Dugald River Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2012, the Group had the following material continuing connected transactions, details of which are set out below:

1. On 23 December 2011, MMG Finance Limited (formerly known as MMG Limited), a wholly owned subsidiary of the Company entered into a loan facility agreement with Album Enterprises (MMG Loan Facility) pursuant to which MMG Finance Limited agreed to make loan facilities available to Album Enterprises on an uncommitted basis for a term of one year commencing on 23 December 2011. The proposed annual cap for the transactions for the year ended 31 December 2011 was US$100 million. During the year ended 31 December 2011, the amount of US$95 million was advanced to Album Enterprises under the MMG Loan Facility. This loan was repaid by Album Enterprises on 15 February 2012. On 17 December 2012, the parties agreed to extend the term of the MMG Loan Facility for a period of one year. On the same date, a loan in the amount of US$100 million was advanced to Album Enterprises under the MMG Loan Facility. This loan was repaid by Album Enterprises on 11 January 2013.

   Album Enterprises is a substantial Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the MMG Loan Facility constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

2. On 17 January 2012, LXML, a 90%-owned subsidiary of the Company, entered into a sale agreement with China Minmetals Non-ferrous Metals Trading Company Limited (CMN Trading) for the sale of copper cathode

to CMN Trading, with the copper cathode to be delivered from January 2012 to December 2012 (2012 Cathode Sales Agreement). During the year ended 31 December 2012, deliveries of copper cathode were made to CMN Trading under the 2012 Cathode Sales Agreement with a total value of approximately US$64.4 million. These sales are subject to the caps imposed by the agreement described in section 4 below.

CMC is the ultimate controlling Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. As CMN Trading is a wholly owned subsidiary of CMC, it is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the 2012 Cathode Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3. On 5 April 2012, the Company announced that it had entered into an agreement with CMN in relation to the sale of copper cathode, copper concentrate, zinc concentrate and lead concentrate produced, processed, manufactured, traded or distributed by any member of the Group to the CMN Group (Products Sale Framework Agreement), subject to the approval of the Shareholders of the Company. The Shareholders approved the Products Sale Framework Agreement, and the proposed annual caps on sales, at the AGM held on 30 May 2012. The term of the Products Sale Framework Agreement accordingly commenced on 30 May 2012 and will expire on 31 December 2014.

   CMN is a controlling Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Products Sale Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

   The total value of products sales by the Company to CMN during the year ended 31 December 2012, including those under the 2012 Cathode Sales Agreement which became subject to the caps following approval of the Product Sales Framework Agreement, is shown below:

	US$ MILLION	
PRODUCT	CAP	SALES
Copper Cathode	108.0	66.8
Copper Concentrate	40.0	25.6
Zinc Concentrate	60.0	8.7
Lead Concentrate	50.0	40.8
Total	**258.0**	**141.9**

Upon the completion of the acquisition of Minerals and Metals Group on 31 December 2010 (Completion Date), the following material continuing transactions became continuing connected transactions with effect from the Completion Date (Grandfathered Continuing Connected Transactions) and details of these transactions for the year ended 31 December 2012 are set out below:

4. On 20 December 2010, MMG Management, a wholly owned subsidiary of the Company, entered into an agreement for the supply of goods with Minmetals Australia pursuant to which MMG Management agreed to purchase hot roll-forged and hand-forged grinding media from Minmetals Australia (Minmetals Supply Agreement) for a term of two years commencing on 20 December 2010. For the year ended 31 December 2012, there were transactions under the Minmetals Supply Agreement to the value of approximately US$6.6 million.

   Minmetals Australia is a subsidiary of CMC and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. Accordingly, the Minmetals Supply Agreement constitutes a Grandfathered Continuing Connected Transaction for the Company under Chapter 14A of the Listing Rules, and the Company will comply with Listing Rule 14A.41 in respect of these transactions.

5. On 10 June 2010, MMG Management, a wholly owned subsidiary of the Company, entered into a loan facility agreement with Album Enterprises (Grandfathered MMG Loan Facility) pursuant to which MMG Management agreed to make loan facilities available to Album Enterprises on an uncommitted basis. During the year ended 31 December 2012, no amounts were advanced or outstanding under the Grandfathered MMG Loan Facility.

   Album Enterprises is a substantial Shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Grandfathered MMG Loan Facility constitutes a Grandfathered Continuing Connected Transaction for the Company under Chapter 14A of the Listing Rules, and the Company will comply with Listing Rule 14A.41 in respect of this transaction.

6. MMG Laos Holdings Limited (MMG Laos Holdings) is a party to a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos dated 15 June 1993 (as amended). The MEPA, amongst other things, grants a licence to operate the project contemplated by the MEPA, being the Sepon project in Laos, which licence terms are in addition to rights granted by relevant Lao law in respect of mining operations. In accordance with the terms of the MEPA, LXML was established and incorporated in Laos to conduct the activities contemplated under the MEPA. Under the MEPA, LXML is appointed the sole contractor for the Government of Laos with respect to the area on which the Sepon project is located. The MEPA sets out the terms and conditions for LXML's mining and processing operations, and exploration activity, with respect to gold and copper in Laos, and confirms the taxes payable by LXML and concessions granted by the Government of Laos to LXML in respect of such taxes. For the year ended 31 December 2012, the actual amount payable under the MEPA was approximately US$155.5 million, being an aggregated amount of all taxes and royalties payable to the Government of Laos.

   The Lao Government holds a 10% equity interest in LXML, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the MEPA constitute Grandfathered Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules. The transactions between LXML and the Government of Laos became connected transactions for the Company on 31 December 2010 following the acquisition of Minerals and Metals Group by the Company, and the Company will comply with Listing Rule 14A.41 in respect of these transactions.

7. On 26 February 2004, LXML, a 90%-owned subsidiary of the Company, entered into a Power Purchase Agreement with Electricite Du Laos (EDL), pursuant to which LXML agreed to purchase energy from EDL for the purposes of operating the Sepon mine in Laos (Power Purchase Agreement). The total consideration payable under the Power Purchase Agreement is subject to levels of energy consumption that vary from year to year. The Power Purchase Agreement was amended by agreement of the parties in July 2012 to include the provision by EDL of operations and maintenance services to LXML, including maintenance of transmission lines and power substations. For the year ended 31 December 2012, the actual amount payable under the Power Purchase Agreement was approximately US$37.5 million.

   EDL is a state-owned corporation operated by the Ministry for Energy and Mines, which is a department of the Government of Laos. The Government of Laos is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Power Purchase Agreement constitute Grandfathered Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules, and the Company will comply with Listing Rule 14A.41 in respect of these transactions.

WAIVER OF LISTING RULES

On 12 April 2012, the Company announced that it had applied to the Stock Exchange, and the Stock Exchange had agreed to waive the announcement, annual review and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for any connected transactions or continuing connected transactions entered into or to be entered into between the Company and the Government of Laos and its associates in relation to the Sepon mine and other mines in Laos, which are of a revenue nature in the ordinary and usual course of the Company's business and on normal commercial terms (Laos Waiver).

The Laos Waiver is subject to certain conditions, including that the Company is required to disclose details of connected transactions and continuing connected transactions with the Government of Laos and its associates in the Company's annual reports under Rule 14A.45 and Rule 14A.46 of the Listing Rules.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions described above for the year ended 31 December 2012, including the Grandfathered Continuing Connected Transactions, have been reviewed by the Independent Non-executive Directors of the Company. As noted above, the Independent Non-executive Directors of the Company were not required to review continuing connected transactions that were subject to the Laos Waiver.

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

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

(b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the respective terms of the MMG Loan Facility, the 2012 Cathode Sales Agreement, the Products Sale Framework Agreement, the Minmetals Supply Agreement, the Grandfathered MMG Loan Facility and MEPA that are fair and reasonable, in the interests of the Shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000: 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor was not required to review continuing connected transactions that were subject to the Laos Waiver. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions for the year ended 31 December 2012 disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

In addition, the auditor of the Company has confirmed to the Board that the above continuing connected transactions for the year ended 31 December 2012:

(a) have been approved by the Board;

(b) have been entered into in accordance with the terms of the relevant agreements governing the transactions;

(c) are in accordance with the pricing policies of the Group where the transactions involved provision of goods by the Group; and

(d) the MMG Loan Facility and the Products Sale Framework Agreement have not exceeded the respective annual caps as disclosed in the announcements of the Company dated 23 December 2011, 5 April 2012 and 17 December 2012.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Album Enterprises, a subsidiary of CMN, a controlling Shareholder of the Company, extended a loan facility in the principal sum of US$125 million to the Company for a term of nine days on 7 June 2012. Such loan facility was exempt from the announcement and reporting requirements of the Listing Rules with respect to connected transactions on the basis that it was unsecured and on normal commercial terms.

Particulars of other contracts of significance that exist between the Company (or one of its subsidiary companies) and a controlling Shareholder (or any of its subsidiaries) are set out under Connected Transactions on pages 68 to 72 of this Annual Report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business are set out in Note 35 to the Financial Statements.

Related party transactions set out in Note 35(b) and (e) also constitute connected transactions and continuing connected transactions of the Company under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules except for those transactions that are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMOLUMENT POLICY

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

The determination of remuneration for the directors of the Company takes into consideration factors such as remuneration paid by comparable companies, accountabilities of the directors, applicable regional employment conditions and appropriate 'at risk' performance-based remuneration.

The Company has adopted share option schemes as incentives to the directors and eligible employees. Details of the schemes are set out under the section headed 'Share Option Schemes'. In relation to MMG, it has adopted both long-term and short-term 'at risk' incentive plans to reward its directors and eligible employees and to align their incentive remuneration with the performance of MMG.

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in Note 30 to the Financial Statements.

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the directors and senior management of the Company are set out on pages 58 to 61 of this Annual Report.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, which will retire at the forthcoming AGM and, being eligible, offer itself for reappointment.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 74 to 82 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE BALANCE SHEET DATE

There have been no matters that have occurred subsequent to the reporting data that have significantly affected or may significantly affect the Group's operations, results or state of affairs in future years.

CORPORATE STRATEGY

In 2012 the Company maintained its focus on extracting value from its core mining assets, progressing its projects portfolio and delivering on the potential of its growth strategy. The Company's long-term objective is to grow and develop its upstream, diversified base metals operations through (i) continuous exploration and discovery, (ii) organic growth and (ii) external growth such as acquisitions.

The Company's corporate strategy is set out on pages 12 to 13.

The Company remains confident in sustainable levels of economic growth, driven by the industrialisation and modernisation of developing economies, particularly in Asia. The directors believe that the Shareholders will benefit from the Company's strength in leadership and growing portfolio of base metals assets, both strategically positioned to generate and preserve shareholder value from solid long-term market fundamentals.

By order of the Board
Wang Lixin Chairman
27 March 2013

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE

The Code on Corporate Governance Practices (CG Code) set out in Appendix 14 of the Listing Rules has been amended and renamed, the Corporate Governance Code and Corporate Governance Report (Revised CG Code). The Revised CG Code became effective on 1 April 2012. The Company has complied with all the code provisions set out in the CG Code during the period commencing on 1 January 2012 and ending on 31 March 2012 and the Revised CG Code during the period commencing on 1 April 2012 and ending on 31 December 2012, except for the deviation from code provision A.4.1 of the Revised CG Code, as explained under the section headed 'Re-election of Directors' and the non-compliance with Rules 3.10(1) and 3.25 of the Listing Rules as disclosed under the section headed 'Composition'.

The Company has not established a corporate governance committee. The Company has instead adopted a Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised, delegated and/or discharged, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter is adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a model code for securities transactions by directors of the Company (Securities Trading Code) on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules.

Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code and the Securities Trading Code during the year ended 31 December 2012.

BOARD

COMPOSITION

The Board currently comprises nine directors of which two are executive directors, four are non-executive directors and three are independent non-executive directors. Independent non-executive directors represent one third of the Board.

At the AGM of the Company held on 30 May 2012, Mr Loong Ping Kwan, an Independent Non-executive Director of the Company, retired and did not offer himself for re-election. Mr Loong also ceased to be a member of the Audit Committee and the Remuneration and Nomination Committee of the Company with effect from 30 May 2012. Following the retirement of Mr Loong, the number of Independent Non-executive Directors of the Company fell below: (i) the minimum number of independent non-executive directors required under Rule 3.10(1) of the Listing Rules; and (ii) the number of independent non-executive directors necessary to form a majority of the Remuneration Committee of the Company as required under Rule 3.25 of the Listing Rules.

Upon confirmation of Mr Loong's intention to resign, the Company began actively identifying suitable candidates for appointment as an Independent Non-executive Director of the Company so as to meet the minimum number required under Rules 3.10(1) and 3.25 of the Listing Rules. On 9 July 2012, Mr Leung Cheuk Yan was appointed as an Independent Non-executive Director and a member of both the Audit Committee and Remuneration and Nomination Committee of the Company, such appointment being within the three months' grace period allowed under Rule 3.11. Accordingly, the Company has fully complied with the requirements under Rules 3.10(1) and 3.25 of the Listing Rules since 9 July 2012.

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

Executive Directors
Mr Andrew MICHELMORE (CEO)
Mr David LAMONT (CFO)

Non-executive Directors
Mr WANG Lixin (Chairman)
Mr JIAO Jian
Mr XU Jiqing
Mr GAO Xiaoyu

Independent Non-executive Directors
Dr Peter CASSIDY
Mr Anthony LARKIN
Mr LEUNG Cheuk Yan

The current Board possesses an appropriate balance of skills, experience and background relevant to the management of the Company's business. The directors' biographical information is set out on pages 58 to 61 under the section headed 'Directors and Senior Management' of this Annual Report.

ROLE AND FUNCTION

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

Board meetings are held regularly at approximately quarterly intervals and are also held on an ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended by a majority of the directors in person or through other electronic means of communication. In addition, special Board meetings are convened from time to time for the Board to discuss issues that require the Board's timely attention.

Since the special Board meetings are concerned with the day-to-day management of the Company, which often requires prompt decisions, usually only the Executive Directors and senior management attend the meetings. During the year ended 31 December 2012, other than resolutions passed in writing by all the directors, the Company held four regular Board meetings, one ad hoc Board meeting, and nine special Board meetings. The Company also held one AGM and one EGM.

The attendance of each director at the Board meetings and general meetings is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a Board member.

	NUMBER OF MEETINGS ATTENDED			
DIRECTORS	BOARD MEETINGS	SPECIAL BOARD MEETINGS	AGM	EGM
EXECUTIVE DIRECTORS				
Andrew MICHELMORE[1]	5/(5)	6/(9)	1/(1)	0/(1)
David LAMONT	5/(5)	9/(9)	1/(1)	1/(1)
HAO Chuanfu[2]	2/(2)	0/(0)	0/(0)	0/(0)
LI Liangang[3]	1/(2)	0/(0)	0/(0)	0/(0)
NON-EXECUTIVE DIRECTORS				
WANG Lixin (Chairman)	5/(5)	0/(0)	1/(1)	1/(1)
JIAO Jian	4/(5)	0/(0)	1/(1)	0/(1)
XU Jiqing[1]	5/(5)	3/(3)	1/(1)	0/(1)
GAO Xiaoyu	4/(5)	0/(0)	0/(1)	0/(1)
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Peter CASSIDY	5/(5)	0/(0)	0/(1)	1/(1)
Anthony LARKIN	5/(5)	0/(0)	1/(1)	0/(1)
LEUNG Cheuk Yan[4]	2/(2)	0/(0)	0/(0)	1/(1)
LOONG Ping Kwan[5]	3/(3)	0/(0)	0/(1)	0/(0)

Notes:

1. Due to other business commitments, Mr Andrew Michelmore was unable to attend three special Board meetings (which are usually attended by the executive directors) held during the year. Mr Xu Jiqing, a Non-executive Director of the Company, attended the aforesaid three meetings instead.
2. Resigned as the Vice Chairman and Executive Director on 29 March 2012.
3. Resigned as an Executive Director on 29 March 2012.
4. Appointed as an Independent Non-executive Director on 9 July 2012.
5. Retired as an Independent Non-executive Director on 30 May 2012.

CHAIRMAN OF THE BOARD AND CEO

The Chairman of the Board is Mr Wang Lixin and the CEO of the Company is Mr Andrew Michelmore. The roles of the Chairman of the Board and the CEO of the Company are segregated to ensure their respective independence, accountability and responsibility.

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

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

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

EXECUTIVE DIRECTORS AND EXECUTIVE COMMITTEE

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

The members of the Executive Committee are:

» Andrew MICHELMORE
(CEO and Executive Director);

» David LAMONT
(CFO and Executive Director);

» Marcelo BASTOS
(Chief Operating Officer);

» Michael NOSSAL
(Executive General Manager – Business Development);

» Steve RYAN
(Executive General Manager – Exploration); and

» Tim SCULLY
(Executive General Manager – Business Support).

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of Shareholders. The Board has three independent non-executive directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. The Board confirms that the Company has received from each of the independent non-executive directors a confirmation of independence for the year ended 31 December 2012 pursuant to Rule 3.13 of the Listing Rules and considers such directors to be independent.

RE-ELECTION OF DIRECTORS

Each of the Non-executive Directors has entered into a service agreement with the Company for a specific term of three years, except Dr Peter Cassidy. Dr Peter Cassidy's appointment agreement commences on 31 December 2010 and can be terminated by the Company with one-month prior written notice.

In accordance with the articles of association of the Company, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next AGM (in the case of an addition to the Board), and thereafter be subject to retirement by rotation at least once every three years at the AGM.

Dr Cassidy, who was appointed by the Board on 31 December 2010 to fill a casual vacancy, was re-elected by the Shareholders at the AGM held on 16 May 2011. He is also subject to retirement by rotation at least once every three years at the AGM.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

All directors of the Company have participated in continuous professional development by attending seminars/in-house briefings/forums to develop and refresh their knowledge and skills. In addition, attendance at briefing sessions (including the delivery of speeches) and the provision of reading materials on the relevant topics contributed towards continuous professional training. All directors of the Company provided a record of training to the Company. A summary of training attended by the directors of the Company during the year is as follows:

DIRECTORS	TYPES OF TRAINING (NOTE)
EXECUTIVE DIRECTORS	
Andrew MICHELMORE	A,B,C
David LAMONT	A,B,C
NON-EXECUTIVE DIRECTORS	
WANG Lixin (Chairman)	A,C
XU Jiqing	A,C
JIAO Jian	A,C
GAO Xiaoyu	A,C
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY	A,C
Anthony LARKIN	A,C
LEUNG Cheuk Yan	A,C

Notes:

A: Attending seminars and/or conferences and/or forums.

B: Delivering speeches/presentations at seminars and/or conferences and/or forums.

C: Reading journals, documentaries, books, newspapers relating to the director's duties and responsibilities.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

THE BOARD COMMITTEES

The Board has established various Board committees to provide a forum for a more detailed analysis of key issues for the Group. Each committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisors and employees.

The current standing committees of the Board are the Audit Committee, the Remuneration and Nomination Committee and the SHEC Committee.

AUDIT COMMITTEE

As at 31 December 2012, the Audit Committee comprised three Independent Non-executive Directors, namely Mr Anthony Larkin, Dr Peter Cassidy and Mr Leung Cheuk Yan, and one Non-executive Director, Mr Xu Jiqing. Mr Anthony Larkin is the Chairman of the Audit Committee.

The Audit Committee is accountable to the Board. Its principal duties include the review and supervision of the financial reporting process and internal control system of the Group. The terms of reference of the Audit Committee, incorporating all the duties set out in code provision C.3.3 of the Revised CG Code, are available on the Company's website.

During the year ended 31 December 2012, the Audit Committee held four meetings. The Audit Committee reviewed with the senior management and auditor of the Company the accounting policies and practices adopted by the Group and discussed auditing, the internal control system and financial reporting matters. It also reviewed the Financial Statements of the Company and the Company's annual and interim reports, the management letter from the auditor of the Company, the connected transactions and the continuing connected transactions entered into by the Group and the audit scope and fees for the year ended 31 December 2012.

The attendance of each member at the Audit Committee meetings is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Audit Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
NON-EXECUTIVE DIRECTORS	
XU Jiqing	4/(4)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY	4/(4)
Anthony LARKIN (Chairman)	4/(4)
LEUNG Cheuk Yan[1]	2/(2)
LOONG Ping Kwan[2]	1/(1)

Notes:

1. Appointed as a member of the Audit Committee on 9 July 2012.
2. Ceased as a member of the Audit Committee on 30 May 2012.

MINERAL RESOURCES AND ORE RESERVES COMMITTEE

The Mineral Resources and Ore Reserves Committee is a sub-committee of the Audit Committee of the Company. The Committee oversees the Mineral Resources and Ore Reserves reporting processes of the Group. In doing so, the Committee facilitates and maintains free and open means of communication between the directors, the independent evaluators/auditors and management of the Group and ensures compliance with the JORC Code and the applicable Listing Rules.

The Committee comprises at least one Executive Committee member and two qualified staff:

» Executive Committee member (Chairman);

» General Manager Technical Services and Mining Engineering; and

» Principal Resource Geologist.

REMUNERATION AND NOMINATION COMMITTEE

As at 31 December 2012, the Remuneration and Nomination Committee comprised three Independent Non-executive Directors, Dr Peter Cassidy, Mr Anthony Larkin and Mr Leung Cheuk Yan, and two Non-executive Directors, Mr Wang Lixin and Mr Jiao Jian. Dr Peter Cassidy is the Chairman of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee is responsible for, among other accountabilities:

» formulating and making recommendations to the Board on the Group's Remuneration Policy;

» determining, with delegated responsibility, the remuneration packages of individual executive directors and senior management in consultation with the Chairman and/or CEO and the determination of the appropriate mix of directors to constitute the Board;

» making recommendations to the Board on the remuneration of Non-executive Directors;

» developing policies and procedures for the selection and appointment of directors and identifying individuals suitably qualified to become directors, having regard to factors such as judgement, skills, diversity, experience in comparable businesses, the interplay of the candidate's experience with the experience of other Board members and the candidate's capacity to commit to the Board activities, and the extent to which the candidate would be a desirable addition to the Board or any Board committee;

» regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the boards of the Group companies; and

» reviewing succession plans for senior management annually to maintain an appropriate balance of skills, experience and expertise on the executive management team.

The terms of reference of the Remuneration and Nomination Committee are available on the Company's website.

Remuneration

When determining or recommending to the Board the remuneration packages for directors and senior management, the Remuneration and Nomination Committee takes into consideration factors such as remuneration paid by comparable companies, accountabilities of the role, applicable regional employment conditions and, for Executive Directors and senior management, appropriate 'at risk' performance-based remuneration.

During the year ended 31 December 2012, other than resolutions passed in writing by all the Committee members, the Remuneration and Nomination Committee held five meetings. The Committee reviewed the Remuneration Policy of the Company and the remuneration of directors and senior management and made recommendations to the Board.

The attendance of each member at the Remuneration and Nomination Committee meetings during the year ended 31 December 2012 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Remuneration and Nomination Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
NON-EXECUTIVE DIRECTORS	
WANG Lixin	5/(5)
JIAO Jian	4/(5)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY (Chairman)	5/(5)
Anthony LARKIN	5/(5)
LEUNG Cheuk Yan[1]	3/(3)
LOONG Ping Kwan[2]	2/(2)

Notes:

1. Appointed as a member of the Remuneration and Nomination Committee on 9 July 2012.
2. Ceased as a member of the Remuneration and Nomination Committee on 30 May 2012.

Further particulars regarding the emoluments of the directors and senior management as required to be disclosed pursuant to Appendix 16 and Appendix 14 to the Listing Rules respectively are set out in Note 14 to the Financial Statements.

Nomination

The appointment of a new director is made on the recommendation by the Remuneration and Nomination Committee or by Shareholders in a general meeting. The Remuneration and Nomination Committee has regard to a range of factors including, but not limited to, qualifications, skills, diversity, leadership, professional ethics, experience with business and other organisations of comparable size and the candidate's capacity to commit to the relevant board's activities when selecting or recommending candidates for directorships. The nomination procedures by Shareholders are available on the Company's website. Any director of the Company who is appointed by the Board shall hold office until the next following general meeting (in case of filling a casual vacancy) or until the following AGM (in case of an addition to the Board) after his appointment, and shall be subject to re-election by Shareholders.

During the year, the appointment of Mr Leung Cheuk Yan as an Independent Non-executive Director of the Company was considered and reviewed by the Committee by way of circulated resolutions and was recommended to the Board for approval. The independence of Mr Leung has also been reviewed by the Committee. Mr Leung will retire at the forthcoming AGM and, being eligible, offer himself for re-election.

SHEC COMMITTEE

As at 31 December 2012, the SHEC Committee comprised three directors, namely Dr Peter Cassidy, Mr Andrew Michelmore and Mr Gao Xiaoyu. Dr Peter Cassidy is the Chairman of the SHEC Committee.

The purpose of the SHEC Committee is to assist the Board in the effective discharge of its responsibilities in relation to safety, health, environmental and community matters arising out of the activities of the Group as they affect employees, contractors and the communities in which the Group operates.

The terms of reference of the SHEC Committee are available on the Company's website.

DISCLOSURE COMMITTEE

The Company has adopted a Disclosure Standard to ensure its compliance with the disclosure obligations under the Listing Rules and the timely disclosure of inside information to the market. In addition, the Company has established a Disclosure Committee, which comprises the CEO, CFO, General Counsel, General Manager Stakeholder Relations, Group Manager Communications and Company Secretary. The Disclosure Standard requires employees to refer all information that potentially requires disclosure to a member of the Disclosure Committee.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing all information and representations contained in the Financial Statements for the year ended 31 December 2012 as disclosed in this Annual Report. The directors consider that the Financial Statements have been prepared in conformity with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants and Chapter 32 of the Laws of Hong Kong (Companies Ordinance), and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgement of the Board and management with an appropriate consideration to materiality. As at 31 December 2012, the directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern.

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

The statement of the auditor of the Company regarding its responsibilities for the Financial Statements is set out in the Independent Auditor's Report on page 83 of this Annual Report.

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

INTERNAL CONTROLS

The Board is entrusted with overall responsibility for establishing and maintaining the Group's internal control system and reviewing its effectiveness to safeguard the Group's assets and to protect Shareholders' interests. The management throughout the Group maintains and monitors the internal control system on an ongoing basis. During the year, the Group engaged an international independent external professional consultant to perform the internal control reviews over the Group's operations.

The reviews were based on the internal control framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), a globally recognised framework. The internal control reviews covered certain key operational and financial processes of the selected entities of the Group and a follow-up review of the action plans to address the findings from last year's review. The consultant reported its findings and recommendations directly to the Audit Committee. The Audit Committee reported the findings to the Board.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the external auditor, PricewaterhouseCoopers (which for these purposes includes any entity under common control, ownership or management with the external auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally), for the year ended 31 December 2012 is set out as follows:

SERVICES RENDERED	FEE PAID/PAYABLE 2012 US$'000
Statutory audit services	1,843
Other audit services – in connection with major transactions	126
Other audit services	83
NON-AUDIT SERVICES	
Tax services in connection with the major transactions during the year	132
Other tax services	479
Other services	184
	2,847

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EGM

Shareholders holding not less than one-twentieth of the paid-up capital of the Company can deposit a written request to convene an EGM at Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary.

The written request must state the objects of the meeting, signed by the Shareholders concerned, and may consist of several documents in like form, each signed by one or more of those Shareholders.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Board will convene an EGM by serving sufficient notice to all the registered Shareholders. On the contrary, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

Pursuant to the Companies Ordinance and the articles of association of the Company, the notice period to be given to all the registered Shareholders for consideration of the proposal raised by the Shareholders concerned at an EGM varies according to the nature of the proposal:

- Not less than 10 clear business days' or 14 clear calendar days' notice (whichever longer) in writing if the proposal constitutes an ordinary resolution;

- Not less than 21 clear calendar days' notice in writing if the proposal constitutes a special resolution; and
- Not less than 28 clear calendar days' notice in writing if the proposal requires the serving of a special notice under the Companies Ordinance.

The procedures for Shareholders to convene an EGM are available on the Company's website.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Shareholders holding not less than one-fortieth of the total voting rights of all Shareholders having the right to vote at the general meetings; or not less than 50 Shareholders holding shares in the Company on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000, can submit a written request to move a resolution at the general meetings.

The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned (or two or more copies of the written request which between them contain signatures of the Shareholders concerned).

The written request must be deposited at Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week in the case of any other requisition.

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

The Shareholders concerned shall be responsible for the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned by depositing with the written request a sum of money reasonably sufficient for the aforesaid purpose with the Company. Failure to do so may result in the Company refusing to entertain the request.

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

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

If a Shareholder wishes to propose a person other than a director of the Company for election as a director at the AGM or EGM, he/she can deposit a written notice to that effect signed by the Shareholder concerned at Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary. The written notice must:

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

The notice should be lodged for a seven clear calendar-day period commencing from the date of despatch of the AGM/EGM notice and no later than seven clear calendar days prior to the date of AGM/EGM.

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary to the registered office of the Company at Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

CORPORATE COMMUNICATIONS

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

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

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

INVESTOR RELATIONS

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

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

CORPORATE WEBSITE

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

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

- the Company's memorandum and articles of association;
- terms of reference of the Audit Committee, Remuneration and Nomination Committee and SHEC Committee;
- a summary of the procedures for Shareholders to convene general meetings, to put forward proposals at general meetings, and to propose a person for election as a director;
- a news archive of stock exchange announcements and media releases; and
- an event calendar setting out important dates and forthcoming events of the Company.

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

SHAREHOLDER MEETINGS

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

Board members including the Chairman of the Board, and where appropriate, Chairmen and other members of the relevant Board committees or their delegates, appropriate management executives and external auditors will attend general meetings to answer Shareholders' questions.

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

ENVIRONMENT, SOCIAL AND GOVERNANCE RESPONSIBILITY

The Company is committed to the long-term sustainability of its businesses and the communities in which it operates. It has adopted a proactive approach to environment, social and governance responsibility, guided by its Sustainability Policy and strategic alignment to the ICMM's sustainability framework. The care for people, environment and stakeholders is of the utmost importance and is integrated in the management of the Company. The Company's Sustainability Policy and principles are supported by its core values of safety, integrity, action and results that underpin the behaviour of all employees and contractors.

The SHEC Committee assists the Board in the effective discharge of its responsibilities in relation to safety, health, environment and community matters. Further details of the SHEC Committee are set out on page 79 under the heading SHEC Committee.

The sustainability reports of the Company are available on the Company's website.

CONSTITUTIONAL DOCUMENTS

There were no significant changes to the Company's memorandum and articles of association during the year with the exception of the change of the English name of the Company to MMG Limited.

羅兵咸永道

Independent Auditor's Report
To the shareholders of MMG Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of MMG Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 90 to 149, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2013

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F:+852 2810 9888, www.pwchk.com/

GLOSSARY

2012 US$751.0 million facility	The US$751.0 million facility agreement entered into by Album Resources and MMG Management with CDB and BOC Sydney dated 12 June 2012
lb	pound(s)
oz	ounce(s)
t	tonne(s)
A$	Australian dollar, the lawful currency of Australia
Ag	silver
AGM	annual general meeting
Album Enterprises	Album Enterprises Limited, a company incorporated on 19 January 2005 in Hong Kong with limited liability, a wholly owned subsidiary of CMN
Album Investment	Album Investment Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Album Resources	Album Resources Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Anvil	Anvil Mining Limited, a company existing under the laws of the British Virgin Islands, a wholly owned subsidiary of the Company
Anvil Loan Facility	Has the meaning given to that term on page 69
ANZ	Australia and New Zealand Banking Group Limited
Associate	Has the meaning ascribed to it under the Listing Rules
Au	gold
Australia	the Commonwealth of Australia
Australian Government	the Government of Australia
Board	the board of directors of the Company
Board Charter	the Board charter of the Company
BOC	Bank of China Limited
C$	Canadian dollar, the lawful currency of Canada
CDB	China Development Bank Corporation
Changzhou Jinyuan	Changzhou Jinyuan Copper Co., Ltd.
China	has the same meaning as PRC
Company	MMG Limited (formerly known as Minmetals Resources Limited), a company incorporated on 29 July 1988 in Hong Kong with limited liability, the shares of which are listed and traded on the Stock Exchange
CMC	China Minmetals Corporation, formerly known as China National Metals and Minerals Import and Export Corporation, a state-owned enterprise incorporated on 7 April 1950 under the laws of the PRC
CMC Group	CMC and its subsidiaries
CMCL	China Minmetals Corporation Limited, a joint stock limited company incorporated on 16 December 2010 under the laws of the PRC
CMN	China Minmetals Non-ferrous Metals Company Limited, a joint stock limited company incorporated on 27 December 2001 under the laws of the PRC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a joint stock limited company incorporated on 22 December 2009 under the laws of the PRC
CMN Trading	China Minmetals Non-ferrous Metals Trading Company Limited, a joint stock limited company incorporated on 25 November 2010 under the laws of the PRC
Companies Ordinance	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
Continuing operations	the Group's operations excluding the discontinued operations
Copper Partners Investment	Copper Partners Investment Co., Ltd.

Cu	copper
Discontinued operations	The trading, fabrication and other assets that were effectively disposed in December 2011. The trading, fabrication and other assets include the Company's entire 100% equity interest in Minmetals Aluminium, Riseup Dragon Limited's entire 72.80% equity interest in NCA, Orienmet Industry Company Limited's entire 51% equity interest in Yingkou Orienmet Plica Tube Company Limited and Lontic (H.K.) Limited's entire 36.2913% equity interest in Changzhou Jinyuan, Orienmet Industry Company Limited, Riseup Dragon Limited and Lontic (H.K) Limited are wholly owned subsidiaries of the Company.
DRC	Democratic Republic of Congo
EBIT	earnings before net financing expenses and income tax
EBITDA	earnings before depreciation and amortisation expenses, net financing expenses and income tax
EBITDA margin	EBITDA divided by revenue
EDL	Electricite Du Laos, a state-owned corporation operated by the Laos Ministry for Energy and Mines, which is a department of the Government of Laos
EGM	extraordinary general meeting
Equinox	Equinox Minerals Limited
Executive Committee	The executive committee of the Group, which consists of all Executive Directors of the Company, Chief Operating Officer, Executive General Manager – Business Development, Executive General Manager – Exploration and Executive General Manager – Business Support
Group	the Company and its subsidiaries
g/t	grams per tonne
HK$	Hong Kong dollar, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standards, See HKFRS
HKFRS	Hong Kong Financial Reporting Standards, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)
HNG	Hunan Nonferrous Metals Holdings Group Co., Ltd.
HPM	high precious metals
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
ICBC	Industrial and Commercial Bank of China Limited, Sydney Branch
ICMM	International Council on Mining and Metals
Indicated Mineral Resource	As defined under the JORC Code, that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence
Inferred Mineral Resource	As defined under the JORC Code, that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence
JORC Code	Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'
JV	joint venture
Laos	the Lao People's Democratic Republic (Lao PDR)
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
LME	London Metal Exchange
LTIFR	Lost time injury frequency rate
LXML	Lane Xang Minerals Limited, a company incorporated on 30 September 1993 in Laos as the holding company for the Sepon operation
M	million
Moz	million ounces
Mt	million tonnes

Measured Mineral Resource	As defined under the JORC Code, that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence
MEPA	A Mineral Exploration and Production Agreement dated 15 June 1993 entered into between MMG Laos Holdings Limited with the Government of Laos (as amended by the Memorandum of Understanding dated 30 November 2004)
Mineral Resource	As defined under the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
Minerals and Metals Group	The collective brand name of the portfolio of international mining assets held by Album Resources
Minmetals Aluminium	Minmetals Aluminium Company Limited
Minmetals Australia	Minmetals Australia Pty Ltd, a company incorporated on 20 October 1987 in Australia with limited liability and a wholly owned subsidiary of CMC
MMG	Has the same meaning as the Company
MMG Century	MMG Century Limited, a company incorporated on 25 November 1986 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Dugald River	MMG Dugald River Pty Ltd, a company incorporated on 15 July 1998 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Golden Grove	MMG Golden Grove Pty Ltd, a company incorporated on 21 June 2005 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Finance Limited	Formerly known as MMG Limited, a company incorporated on 15 June 2011 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG Management	MMG Management Pty Ltd, a company incorporated on 15 July 2005 in Australia with limited liability and a wholly owned subsidiary of the Company
MPF Scheme	Mandatory Provident Fund Scheme, in which the Group and its employees make monthly contributions to the scheme at 5% of the employees' salaries
NCA	North China Aluminium Company Limited
Ore Reserve	As defined under the JORC Code, the economically mineable part of a Measured and/or Indicated Mineral Resource
Pb	lead
PRC	the People's Republic of China excluding, for the purposes of this document only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, unless the context requires otherwise
Probable Ore Reserve	As defined under the JORC Code, the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource
Production data	The production data included in this report is the metal contained in concentrate, cathode or doré for the key products the Company produces
Proved Ore Reserve	As defined under the JORC Code, the economically mineable part of a Measured Mineral Resource
PSCS	the perpetual sub-ordinated convertible securities issued by the Company
PSCS Holder(s)	the person(s) in whose names the PSCS are registered
Reserve	has the same meaning as Ore Reserves
Resource	has the same meaning as Mineral Resources
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SHEC	Safety, health, environment and community
Stock Exchange	The Stock Exchange of Hong Kong Limited
SX-EW	Solvent extraction and electrowinning
Top Create	Top Create Resources Limited, a company incorporated on 22 January 2004 in the British Virgin Islands with limited liability
TRIFR	Total recordable injury frequency rate
US$	United States dollar, the lawful currency of the United States of America
Zn	zinc

CORPORATE INFORMATION

BOARD

Chairman
WANG Lixin (Non-executive Director)

Executive Directors
Andrew MICHELMORE (CEO)
David LAMONT (CFO)

Non-executive Directors
JIAO Jian
XU Jiqing
GAO Xiaoyu

Independent Non-executive Directors
Peter CASSIDY
Anthony LARKIN
LEUNG Cheuk Yan

AUDIT COMMITTEE

Chairman
Anthony LARKIN

Members
XU Jiqing
Peter CASSIDY
LEUNG Cheuk Yan

REMUNERATION AND NOMINATION COMMITTEE

Chairman
Peter CASSIDY

Members
WANG Lixin
JIAO Jian
Anthony LARKIN
LEUNG Cheuk Yan

SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY COMMITTEE

Chairman
Peter CASSIDY

Members
Andrew MICHELMORE
GAO Xiaoyu

MIX
Paper from responsible sources
FSC™ C100709

DISCLOSURE COMMITTEE

Members
Andrew MICHELMORE
Sally COX
Troy HEY
David LAMONT
LEUNG Suet Kam, Lucia
Nick MYERS

GENERAL COUNSEL

Nick MYERS

COMPANY SECRETARY

LEUNG Suet Kam, Lucia

LEGAL ADVISORS

Deacons, Hong Kong
Linklaters, Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China Limited

China Development Bank Corporation

Westpac Banking Corporation

Citibank NA

Australia and New Zealand Banking Group Limited

Industrial and Commercial Bank of China Limited

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WEBSITE

www.mmg.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited

Stock Code: 1208

Additional Shareholder Information

The Chinese version of the Annual Report is prepared based on the English version. If there is any inconsistency between the English and Chinese version of this Annual Report, the English text shall prevail to the extent of the inconsistency.

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

	Note	YEAR ENDED 31 DECEMBER 2012 US$ million	2011 US$ million
Continuing Operations			
Revenue	5	2,499.4	2,228.3
Other income	6	8.1	19.1
Expenses (excluding depreciation and amortisation)	7	(1,654.3)	(1,399.5)
Gain on disposal of available-for-sale financial assets	11(c)	–	152.1
Write-back of business acquisition expenses	11(c)	–	63.8
Earnings before interest, income tax, depreciation and amortisation expense – EBITDA		**853.2**	**1,063.8**
Depreciation and amortisation expense	7	(447.6)	(308.5)
Earnings before interest and income tax – EBIT		**405.6**	**755.3**
Finance income	8	4.5	2.4
Finance costs	8	(92.2)	(48.6)
Profit before income tax		**317.9**	**709.1**
Income tax expense	9	(100.4)	(225.5)
Profit for the year from continuing operations		**217.5**	**483.6**
Discontinued Operations			
Profit from discontinued operations	36	–	90.9
Profit for the year		**217.5**	**574.5**
Profit for the year attributable to:			
Equity holders of the Company		192.5	540.9
Non-controlling interests		25.0	33.6
		217.5	**574.5**
Profit for the year attributable to equity holders of the Company arises from:			
Continuing operations		192.5	454.1
Discontinued operations		–	86.8
		192.5	**540.9**
Earnings Per Share for Profit Attributable to the Equity Holders of the Company	11		
Basic earnings per share			
From continuing operations		US 3.64 cents	US 9.99 cents
From discontinued operations		–	US 1.91 cents
		US 3.64 cents	**US 11.90 cents**
Diluted earnings per share			
From continuing operations		US 3.64 cents	US 8.99 cents
From discontinued operations		–	US 1.72 cents
		US 3.64 cents	**US 10.71 cents**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	YEAR ENDED 31 DECEMBER 2012 US$ million	2011 US$ million
Profit for the year		217.5	574.5
Other comprehensive income			
Change in fair value of available-for-sale financial assets	25	2.4	88.2
Deferred income tax		–	(18.1)
Transfer to income statement on disposal of available-for-sale financial assets		–	(149.1)
Income tax expense		–	36.4
Currency translation differences		–	12.3
Currency translation differences transferred to income statement on disposal of subsidiaries and investments accounted for using the equity method		–	(45.9)
Other comprehensive income for the year		2.4	(76.2)
Total comprehensive income for the year		**219.9**	**498.3**
Total comprehensive income attributable to:			
Equity holders of the Company		194.9	464.0
Non-controlling interests		25.0	34.3
		219.9	**498.3**
Total comprehensive income attributable to equity holders of the Company arises from:			
Continuing operations		194.9	411.5
Discontinued operations		–	52.5
		194.9	**464.0**

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

CONSOLIDATED BALANCE SHEET

	Note	AS AT 31 DECEMBER 2012 US$ million	2011 US$ million
Assets			
Non-current assets			
Property, plant and equipment	15(a)	3,344.2	1,754.9
Intangible assets	16	230.9	–
Inventories	18	54.4	33.1
Deferred income tax assets	19	72.3	63.6
Other receivables	20	42.2	–
Other financial assets	21	4.8	2.7
Other assets	22	0.9	1.9
		3,749.7	1,856.2
Current assets			
Inventories	18	300.0	278.4
Trade and other receivables	20	211.9	118.3
Loan to a related party	35(e)	100.0	95.0
Current income tax assets		29.0	7.4
Other financial assets	21	141.3	1.7
Cash and cash equivalents	23	102.1	1,096.5
		884.3	1,597.3
Assets of disposal group classified as held for sale	36	25.2	–
		909.5	1,597.3
Total assets		**4,659.2**	**3,453.5**
Equity			
Capital and reserves attributable to equity holders of the Company			
Share capital	24	33.9	33.9
Reserves and retained profits	25(a)	1,596.4	1,401.5
		1,630.3	1,435.4
Non-controlling interests		55.5	59.0
Total equity		**1,685.8**	**1,494.4**

	Note	AS AT 31 DECEMBER 2012 US$ million	2011 US$ million
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	19	235.0	5.5
Borrowings	28	1,265.3	294.5
Provisions	31	619.0	491.1
		2,119.3	791.1
Current liabilities			
Trade and other payables	29	299.4	205.7
Current income tax liabilities		120.8	117.9
Borrowings	28	370.6	786.6
Provisions	31	56.7	56.5
		847.5	1,166.7
Liabilities of disposal group classified as held for sale	36	6.6	1.3
		854.1	1,168.0
Total liabilities		**2,973.4**	**1,959.1**
Total equity and liabilities		**4,659.2**	**3,453.5**
Net current assets		**55.4**	**429.3**
Total assets less current liabilities		**3,805.1**	**2,285.5**

Andrew Michelmore
CEO and Executive Director

David Lamont
CFO and Executive Director

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

COMPANY BALANCE SHEET

	Note	AS AT 31 DECEMBER 2012 US$ million	2011 US$ million
Assets			
Non-current assets			
Property, plant and equipment	15(b)	1.4	–
Investment properties		0.8	1.8
Interests in subsidiaries	17	1,459.8	2,207.9
Loans to subsidiaries	17	2,149.8	–
		3,611.8	2,209.7
Current assets			
Other receivables		1.5	0.4
Amounts due from subsidiaries	17	–	644.2
Cash and cash equivalents	23	0.7	222.3
		2.2	866.9
Total assets		**3,614.0**	**3,076.6**
Equity			
Capital and reserves			
Share capital	24	33.9	33.9
Reserves and retained profits	25(b)	2,562.5	2,531.1
Total equity		**2,596.4**	**2,565.0**
Liabilities			
Non-current liabilities			
Provisions	31(d)	3.2	3.2
Amount due to a related company	35(e)	300.0	–
Amounts due to subsidiaries	17	12.2	–
Loans from subsidiaries	17	676.1	–
		991.5	3.2
Current liabilities			
Other payables		3.5	1.2
Provisions	31(d)	0.9	1.3
Amounts due to subsidiaries	17	21.7	505.9
		26.1	508.4
Total liabilities		**1,017.6**	**511.6**
Total equity and liabilities		**3,614.0**	**3,076.6**
Net current (liabilities)/assets		**(23.9)**	**358.5**
Total assets less current liabilities		**3,587.9**	**2,568.2**

Andrew Michelmore
CEO and Executive Director

David Lamont
CFO and Executive Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$ million	Share capital	Perpetual sub-ordinated convertible securities	Total other reserves	Retained profits	Non-controlling interests	Total
	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
At 1 January 2012	33.9	–	390.4	1,011.1	59.0	1,494.4
Profit for the year	–	–	–	192.5	25.0	217.5
Other comprehensive income	–	–	2.4	–	–	2.4
Total comprehensive income for the year	–	–	2.4	192.5	25.0	219.9
Transactions with owners						
Non-controlling interest acquired	–	–	–	–	50.0	50.0
Purchase of non-controlling interest	–	–	–	–	(50.0)	(50.0)
Dividends paid to non-controlling interests	–	–	–	–	(28.5)	(28.5)
Total transactions with owners	–	–	–	–	(28.5)	(28.5)
At 31 December 2012	33.9	–	392.8	1,203.6	55.5	1,685.8
At 1 January 2011	19.0	690.0	(677.2)	445.2	56.4	533.4
Profit for the year	–	–	–	540.9	33.6	574.5
Other comprehensive income	–	–	(76.9)	–	0.7	(76.2)
Total comprehensive income for the year	–	–	(76.9)	540.9	34.3	498.3
Transactions with owners						
Transfer to/(from) reserves	–	–	6.1	(6.1)	–	–
Dividends paid to non-controlling interests	–	–	–	–	(0.4)	(0.4)
Issue of shares	4.9	–	489.4	–	–	494.3
Conversion of perpetual subordinated convertible securities into ordinary shares	10.0	(690.0)	680.0	–	–	–
Employee share options	–	–	0.1	–	–	0.1
Disposal of subsidiaries	–	–	(31.1)	31.1	(31.3)	(31.3)
Total transactions with owners	14.9	(690.0)	1,144.5	25.0	(31.7)	462.7
At 31 December 2011	33.9	–	390.4	1,011.1	59.0	1,494.4

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

CONSOLIDATED CASH FLOW STATEMENT

	Note	YEAR ENDED 31 DECEMBER 2012 US$ million	2011 US$ million
Cash flows from operating activities			
Continuing operations			
Receipts from customers		2,469.5	2,374.1
Payments to suppliers		(1,612.9)	(1,400.8)
Payments for exploration expenditure		(77.3)	(64.0)
Income tax paid		(124.0)	(209.6)
		655.3	699.7
Discontinued operations		–	100.8
Net cash generated from operating activities	32	**655.3**	**800.5**
Cash flows from investing activities			
Continuing operations			
Purchase of property, plant and equipment		(732.9)	(380.3)
Purchase of intangible assets		(19.5)	–
Purchase of financial assets		(74.3)	(66.4)
Acquisition of subsidiaries and non-controlling interest		(1,360.5)	–
Proceeds from disposal of property, plant and equipment		0.6	4.2
Proceeds from disposal of investments		–	311.2
Proceeds from disposal of subsidiaries		28.5	509.1
Proceeds from disposal of other investments		–	0.2
Dividends received from investments accounted for using the equity method		–	1.3
		(2,158.1)	379.3
Discontinued operations		–	(99.1)
Net cash (used in)/generated from investing activities		**(2,158.1)**	**280.2**

	Note	YEAR ENDED 31 DECEMBER 2012 US$ million	2011 US$ million
Cash flows from financing activities			
Continuing operations			
Repayments of borrowings		(827.6)	(17.2)
Loan to related party	35	(100.0)	(95.0)
Repayments of related party borrowings		–	(694.2)
Dividends paid to non-controlling interests		(28.5)	–
Repayments of finance lease liabilities		(1.2)	(1.0)
Interest and financing costs paid		(57.2)	(26.3)
Net proceeds from issue of shares		–	494.3
Proceeds from borrowings		1,051.0	–
Proceeds from related party borrowings	35	300.0	–
Proceeds from repayments of loan to related parties	35	95.0	–
Interest received		3.0	1.0
		434.5	(338.4)
Discontinued operations		–	(48.2)
Net cash generated from/(used in) financing activities		**434.5**	**(386.6)**
Net (decrease)/increase in cash and cash equivalents		**(1,068.3)**	**694.1**
Cash and cash equivalents at 1 January		1,096.5	398.2
Cash and cash equivalents – acquisition of subsidiaries	26	73.3	–
Exchange gains on cash and bank balances		0.6	4.2
Cash and cash equivalents at 31 December	23	**102.1**	**1,096.5**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

MMG Limited, formerly Minmetals Resources Limited (Company) is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

Effective on 6 September 2012, the Company's English name was changed from Minmetals Resources Limited to MMG Limited following approval by the Registrar of Companies in Hong Kong. The change of Company name does not affect any of the rights of the Company's Shareholders.

The Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited. The principal activities of the Company and its subsidiaries (Group) are exploration for, and the mining, processing and production of zinc, copper, lead, gold and silver; exploration for mineralisation and development of mining projects.

The consolidated financial statements for the year ended 31 December 2012 are presented in United States dollars (US$) unless otherwise stated and have been approved for issue by the board of directors (Board) on 27 March 2013.

Acquisition of Anvil Mining Limited

On 17 February 2012, the Group acquired control of Anvil Mining Limited (Anvil), a company incorporated in Canada with its common shares listed on the Toronto Stock Exchange, for an aggregate consideration of US$1,310.5 million. The key asset of Anvil is the Kinsevere mine, an open-cut copper mine located in the Katanga Province of the Democratic Republic of Congo (DRC). Further details relating to the acquisition are disclosed in Note 26.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The presentation of the consolidated income statement and related notes to the financial statements has been amended to primarily present expenses by nature. This aligns with the Group's internal reporting of operations. Where relevant, comparative information has been restated accordingly.

(a) Amendments and interpretations to existing standards effective in 2012 but not relevant or significant to the Group

HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

(b) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.

The Group has not early adopted the following new/revised standards and amendments to standards that have been issued but are not effective for 2012. The Group is in the process of assessing their impact on the Group's results and financial position.

HKAS 1 (Amendment)	Presentation of Financial Statements(i)
HKAS 19 (Amendment)	Employee Benefits(i)
HKAS 27 (2011)	Separate Financial Statements(i)
HKAS 28 (2011)	Investments in Associates and Joint Ventures(i)
HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities(ii)
HKFRS 7 (Amendment)	Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities(i)
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory Effective Date and Translation Disclosures(iii)
HKFRS 9	Financial Instruments(iii)
HKFRS 10	Consolidated Financial Statements(i)
HKFRS 11	Joint Arrangements(i)
HKFRS 12	Disclosures of Interests in Other Entities(i)
HKFRS 13	Fair Value Measurement(i)
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine(i)

Effective for the Group for annual period beginning:
(i) 1 January 2013
(ii) 1 January 2014
(iii) 1 January 2015

2.2 CONSOLIDATION

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

(b) Merger accounting for common control combination

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date unless they first came under common control at a later date.

Transaction costs, including professional fees, registration fees, costs of furnishing information to Shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using merger accounting are recognised as expenses in the year in which they are incurred.

(c) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Transactions with non-controlling interests

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

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

(e) Separate financial statements

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

2.3 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Group applies the equity method of accounting to account for its investments in jointly controlled entities and associates.

(a) Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The Group's interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate or jointly controlled entity is reduced but significant influence/joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Equity accounting method

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate/jointly controlled entity and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate/a jointly controlled entity' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate/jointly controlled entity are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associates/jointly controlled entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates/jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates/jointly controlled entities are recognised in the income statement.

2.4 SEGMENT REPORTING

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

2.5 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale financial assets reserve in equity.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the dates of the transactions, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Major spare parts and stand-by equipment are carried as property, plant and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. Only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the accounting period in which they are incurred.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also include subsequent costs to develop the mine to the production phase.

(a) Overburden and waste removal

Overburden and other waste removal costs incurred in the development of a mine before production commences are capitalised as part of the construction of the mine as mine property and development assets. These costs include direct costs and an allocation of relevant overhead expenditure. These costs are subsequently amortised over the life of mine on a units of production basis upon commencement of commercial production.

Overburden and other waste costs incurred once an operation commences production activity (production stripping costs) are capitalised as mine property and development assets. A proportion of the costs is charged to the income statement as an operating cost on the basis of the quantity of ore mined or the quantity of the minerals contained in the ore, as a proportion of the known Ore Reserves of the operation.

Changes in the technical and/or other economic parameters that impact on reserves will also have an impact on the depreciation and amortisation of capitalised mine property and development assets. These changes are accounted for prospectively from the date of change.

(b) Depreciation and amortisation

Amortisation of mine property and development assets and depreciation of assets within the mining and processing streams of property, plant and equipment are calculated on the basis of units of production unless their useful life is less than that of the mine. Amortisation of mine, property and development assets is based on assessments of developed proven and probable Ore Reserves and a proportion of Mineral Resources available to be mined by the current production equipment to the extent that such Resources are considered to be economically recoverable. Reserves and Resource estimates are revised annually. The depreciation expense calculation reflects the Board-approved estimates in place at the balance sheet date, prospectively. The amortisation of mine, property and development assets commences when the mine starts commercial production. Depreciation of all other items of property, plant and equipment commences when an asset is available for use. All other non-operating items of property, plant and equipment are depreciated over an asset's useful life on a reducing-balance basis, as follows:

» Freehold land – not depreciated;
» Buildings – lower of life of mine or 2.5% per annum; and
» Plant and equipment – lower of life of mine or 3–5 years.

(c) Disposal of property, plant and equipment

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement within other income.

(d) Exploration and evaluation expenditure

Exploration and evaluation costs are capitalised on an area-of-interest basis once the area has been deemed technically feasible and commercially viable and a feasibility study has been approved. Exploration and evaluation costs that are incurred before the Group has obtained the legal right to explore an area, or are incurred up to and including the pre-feasibility study, are recognised in the income statement.

Exploration and evaluation assets are classified as part of property, plant and equipment. As the assets are not yet ready for use they are not depreciated.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable Reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (refer to Note 2.9).

For the purposes of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. Refer to Note 2.9 for further details.

Once the technical feasibility and commercial viability of the extraction of the Ore Reserve in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets within property, plant and equipment.

Acquired mineral rights comprise identifiable exploration and evaluation assets including Mineral Resources and Ore Reserves, which are acquired as part of a business combination and are recognised at fair value at the date of acquisition. The acquired mineral rights are reclassified as mine property and development from commencement of development and amortised when commercial production commences on a units of production basis over the estimated economic Reserve of the mine.

2.7 INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by any Group company, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used. Changes in fair values are recognised in the consolidated income statement.

2.8 INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated, represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.11 FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, in which case they are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurements

Regular purchases and sales of financial assets are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the consolidated income statement within other gains/(losses) in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group’s right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(a) Assets carried at amortised cost

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

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

Certain derivatives instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated income statement within other gains/(losses).

2.13 FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

2.14 INVENTORIES

Inventories comprise raw materials, stores and consumables, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and less applicable variable selling expenses.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs include the costs of direct materials, overburden removal, mining, processing, labour, related transportation costs to the point of sale, an appropriate proportion of related production overheads, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities. They exclude borrowings costs.

2.15 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), trade and other receivables are classified as current assets. If not, they are presented as non-current assets.

2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.17 FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Equity instruments (including ordinary shares and perpetual subordinated convertible securities) are any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities. Subsequent to initial recognition, the equity instrument is not remeasured.

2.18 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.19 MINE REHABILITATION, RESTORATION AND DISMANTLING OBLIGATIONS

Provisions are made for the estimated cost of rehabilitation, restoration and dismantling relating to areas disturbed during the mine's operations up to the reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, top soiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated costs arising within 12 months) and non-current components, based on the expected timing of these cash flows. A corresponding asset is included in mine property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date, the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount, which is recognised as a finance cost in the income statement. Changes to capitalised cost result in an adjustment to future depreciation charges.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

2.20 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract is lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

A provision is recognised for the amount expected to be paid under short-term or long-term bonus entitlements if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the director or employee and the obligation can be estimated reliably.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Workers' compensation

Provision is made for outstanding claims, including any incurred but not reported claims, where any subsidiary self-insures for risks associated with workers' compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability. An independent actuary provides the calculation of the value of outstanding claims. Each period the impact of the unwind of discounting is recognised in the income statement as a financing cost.

2.21 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid, including any non-cash assets, is recognised in the consolidated income statement as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the places where the Company's subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

__Tax consolidation – Australia__

The Australian subsidiaries of the Company are an income tax consolidation group and are taxed as a single entity. MMG Australia Limited is the head company of the Australian tax consolidated group.

The subsidiaries in the Australian tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right. In addition to its own current and deferred tax amounts, the head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the other entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements between entities within the tax consolidated group entities are utilised as amounts receivable from or payable to other entities within the tax consolidated group.

2.23 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due with one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.24 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of the significant risks and rewards to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally when title passes, which for the majority of commodity sales is the bill of lading date when the commodity is delivered for shipment. For non-commodity sales, it is usually the date when a Group entity has delivered products to the customer, the customer has accepted the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the products.

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable. Contract terms for many of the Group's zinc, copper, lead, gold, silver and metal in concentrate sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

The terms of concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustment to the sales price occurs based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement is typically between 60 and 120 days.

The fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses.

(b) Servicing income

Revenue from sales of services is recognised when the related services are rendered.

(c) Interest income

Interest income is recognised on a time-proportion basis, using the effective interest method.

(d) Rental income

Operating lease rental income is recognised on a straight-line basis over the lease periods.

2.25 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued by employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations – defined contribution plans

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(c) Long-term employee benefits

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(d) Share-based compensation

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and sales growth targets and remaining employees of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.26 LEASES

Leases of property, plant and equipment where the Group has substantially transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as interest-bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.27 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders or the Board of Directors, as appropriate.

2.28 COMPARATIVES

Certain comparative figures have also been reclassified to conform to the current year presentation (refer to Note 2.1).

3. FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks, including commodity price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk, equities price risk and sovereign risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivative instruments should strictly follow the yearly plans approved by the Board of Directors of the Company and its subsidiaries. The Group does not and is prohibited to enter into derivative contracts for speculative purposes.

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

(a) Commodity price risk

The Group is exposed to commodity price volatility on commodity sales made by its operations. This arises from the sale of metal and metal in concentrate products such as zinc, copper, lead, gold and silver, which are priced on, or benchmarked to, open market exchanges. The Group generally believes commodity price hedging would not provide long-term benefit to its Shareholders. There are no commodity hedges in place as at 31 December 2012 and 2011.

The following table details the sensitivity of the Group's trade receivable balance to movements in commodity prices. Trade receivable arising from revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration receivable and subsequently remeasured at each reporting date. At the reporting date, if the commodity prices increased/(decreased) by 10% and all other variables were held constant, the Group's after-tax profit would have increased/(decreased) as set out below.

	2012			2011		
Commodity	Commodity price movement	Increased profit US$ million	Decreased profit US$ million	Commodity price movement	Increased profit US$ million	Decreased profit US$ million
Zinc	10%	3.9	(3.9)	10%	0.8	(0.8)
Copper	10%	4.2	(4.2)	10%	1.8	(1.8)
Gold	10%	–	–	10%	0.5	(0.5)
Lead	10%	1.0	(1.0)	10%	1.5	(1.5)
Total		**9.1**	**(9.1)**		**4.6**	**(4.6)**

(b) Interest rate risk

The Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents have been disclosed in Note 23 while the details of the Group's borrowings are set out in Note 28.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed at the inception of each floating rate debt facility in light of the overall Group's exposure, the prevailing interest rate market and any funding counterparty requirements. Monthly reporting is provided to the Executive Committee, which summarises the Group's debt and interest rates. As at 31 December 2012 and 1 December 2011, if the interest rate had increased/(decreased) by 100 basis points with all other variables held constant, post-tax profit for the year would have increased/(decreased) as follows:

	2012				2011			
	+100 basis points		-100 basis points		+100 basis points		-100 basis points	
US$ million	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets								
Cash and cash equivalents	0.7	–	(0.7)	–	7.7	–	(7.7)	–
Financial liabilities								
Borrowings	(11.5)	–	11.5	–	(7.5)	–	7.5	–
Total	**(10.8)**	–	**10.8**	–	**0.2**	–	**(0.2)**	–

(c) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries within the Group is US$. The majority of revenue received by the Group is in US$. The Group's foreign currency exchange risk arises predominantly from the currency in which the Group's operations are located.

The Group is exposed to foreign exchange risk primarily with respect to Australian dollars (A$), Hong Kong dollars (HK$) and the Canadian dollar (C$). Given the exchange rate peg between HK$ and US$, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HK$ or US$. However, exchange rate fluctuations of C$ or A$ against US$ could affect the Group's performance and asset value. The A$ is the most important currency influencing costs.

Under normal market conditions, the Group does not believe that active currency hedging of transactions would provide long-term benefit to Shareholders. The Group tries to minimise these exposures through natural hedges wherever possible. For instance, the majority of external debt and surplus cash is denominated in US$. A portion of cash may be held in A$ to meet operating costs.

The Group purchased US$ put/C$ call options with notional values of US$434.8 million on 29 November 2011 and US$886.5 million on 25 January 2012 to hedge the currency risk associated with its all-cash offer to acquire all of the Common Shares in Anvil. There are no outstanding options as at 31 December 2012.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 5.6% (2011: 4.9%) change in the A$/US$ and no change (2011: 2.9%) in the C$/US$ foreign exchange rate. This percentage change reflects the market consensus 12-month forecast foreign exchange rate movement.

As at 31 December 2012, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by the above foreign exchange rate changes, and all other variables were held constant, the Group's profit (after tax) would have increased/(decreased) by US$4.3 million (2011:US$4.2 million).

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. At the reporting date, the carrying amount of the Group's financial assets, including cash and cash equivalents, trade and other receivables and other bank deposits, represents the maximum credit exposure.

The credit risk on investments in cash, short-term deposits and similar assets are with approved counterparty banks and the intermediate holding company. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure.

The Group's most significant customer is Nyrstar Hobart Pty Ltd. The revenue earned from Nystar Hobart Pty Ltd is approximately 14.6 % (2011: 18.7%) of revenue for the year. The largest debtor at 31 December 2012 was Nyrstar Budel BV with a balance of US$41.7 million (2011: CMN with US$29.9 million) and the five largest debtors accounted for 49.6% (2011: 47.8%) of the Group's trade and other receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. This is payable either promptly after vessel loading or upon vessel arriving at the discharge port. Title to the concentrate does not pass to the buyer until this provisional payment is made. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying. The credit risk by geographic region was:

	AS AT 31 DECEMBER	
US$ million	2012	2011
Australia	34.2	14.1
Europe	26.9	8.4
Asia	73.5	43.6
	134.6	**66.1**

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilises short and long-term cash flow forecasts and other consolidated information to ensure appropriate liquidity buffers are maintained to support the Group's activities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

US$ million	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2012					
Financial liabilities					
Trade and other payables	299.4	–	–	–	299.4
Borrowings (including interest)	410.0	445.5	927.5	–	1,783.0
	709.4	**445.5**	**927.5**	**–**	**2,082.4**
At 31 December 2011					
Financial liabilities					
Trade and other payables	205.7	–	–	–	205.7
Borrowings (including interest)	803.0	43.1	272.9	–	1,119.0
	1,008.7	**43.1**	**272.9**	**–**	**1,324.7**

(f) Equities price risk

Equity securities price risk arising from investments held by the Group are classified in the balance sheet as available-for-sale and other financial assets. The majority of the Group's equity investments are publicly traded. The Group does not have significant equity securities exposed to price risk as at 31 December 2012.

(g) Sovereign risk

The Group has operations in developing countries that may carry higher levels of sovereign risk. In general, however, mining companies are increasingly willing to develop or acquire projects in locations that would traditionally have been viewed as having higher sovereign risk.

3.2 FAIR VALUE ESTIMATION

HKFRS 7 requires disclosure of financial instruments that are measured in the balance sheet at fair value by the level of the following fair value measurement hierarchy:

» Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

» Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

» Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The majority of the Group's financial assets are listed (refer to Note 21) and fair value is determined based on level 1 prices. The unlisted financial assets held by the Group arose as a result of the business combination discussed in Note 26. Fair value has been determined using level 3 valuation techniques.

3.3 CAPITAL RISK MANAGEMENT

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

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to Shareholders, issue new shares or raise/repay debts.

The Group monitors capital by using a gearing ratio defined as total borrowings (excluding prepayments) less cash and bank deposits divided by the aggregate of total borrowings plus total equity. The change in the gearing ratio to 0.46 is mainly attributable to the acquisition of Anvil during 2012.

	2012 US$ million	2011 US$ million
Total borrowings	1,645.5	1,081.1
Less: cash and cash equivalents	102.1	1,096.5
Net debt/(cash)	1,543.4	(15.4)
Total borrowings	1,645.5	1,081.1
Total equity	1,685.8	1,494.4
	3,331.3	2,575.5
Gearing ratio	0.46	N/A

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted in accordance with the accounting policy in Note 2.19. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

(b) Mineral Resources and Ore Reserves estimates

The estimated quantities of economically recoverable Mineral Resources and Ore Reserves are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported Reserves and Resources estimates can impact the carrying value of property, plant and equipment, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement. The changes are effective from the month following Board approval of the revised Reserves and Resources estimates.

(c) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the accounting period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(d) Recoverability of non-financial assets

The recoverable amount of each cash-generating unit is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the accounting policy in Note 2.9. These calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

(e) Functional currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates in accordance with accounting policy in Note 2.5. Determination of an entity's functional currency requires management judgement when considering a number of factors including the currency that mainly influences sales prices, costs of production, and competitive forces and regulations that impact sales prices. In addition, consideration must be given to the currency in which financing and operating activities are undertaken. Applying the principles described above, management has come to the conclusion that the functional currency of the majority of subsidiaries within the Group is US$ based on the following factors:

» Sales are predominantly denominated in US$;
» A significant portion of costs are denominated in US$;
» A significant portion of debt and finance costs are denominated in US$; and
» Senior management and Board reporting is conducted in US$.

5. SEGMENT INFORMATION

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about operations of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and assess its performance.

The chief operating decision-maker has been identified as the Company's Executive Committee, which consists of all Executive Directors of the Company, Chief Operating Officer, Executive General Manager – Business Development, Executive General Manager – Exploration, and Executive General Manager – Business Support. They review the Group's internal reporting of these operations in order to assess performance and allocate resources.

The Group's reportable segments are as follows:

Continuing operations

Sepon	Sepon is an open-pit copper and gold mining operation located in southern Laos.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Katanga Province of the Democratic Republic of Congo, Africa.
Century	Century is an open-pit zinc mining operation located in north-west Queensland.
Rosebery	Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast.
Golden Grove	Golden Grove is an underground and open-pit base and precious metals mining operation located in Western Australia's mid-west.
Other	Includes exploration and development projects and other corporate entities that are not disclosed as separate segments.

Discontinued operations

Trading, fabrication and other operations	This segment was engaged in the trading of alumina and aluminium ingot, the production and sale of aluminium foil, plate, strip and extrusions, the production and sale of aluminium processing equipment, the production and sale of plica tubes and the provision of port logistics services, as well as certain jointly controlled entities and associates of the Group.

A segment result represents the profit earned by each segment. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the chief operating decision-maker is measured in a manner consistent with that in the financial statements.

Segment assets exclude current income tax assets, deferred income tax assets and inter-segment loans. Segment liabilities exclude current income tax liabilities and deferred income tax liabilities. The excluded assets and liabilities are presented as part of the reconciliation to total balance sheet assets or liabilities.

The segment revenue and results for the year ended 31 December 2012 are as follows:

	FOR THE YEAR ENDED 31 DECEMBER 2012						
US$ million	Sepon	Kinsevere	Century	Rosebery	Golden Grove	Other	Group
External revenue	741.8	279.9	739.5	267.5	354.2	–	2,382.9
Revenue from related parties	64.4	–	13.4	–	38.7	–	116.5
Revenue	**806.2**	**279.9**	**752.9**	**267.5**	**392.9**	**–**	**2,499.4**
EBITDA	**491.4**	**131.1**	**283.6**	**85.7**	**67.9**	**(206.5)**	**853.2**
Depreciation and amortisation	(80.5)	(70.7)	(235.3)	(26.5)	(32.1)	(2.5)	(447.6)
EBIT	**410.9**	**60.4**	**48.3**	**59.2**	**35.8**	**(209.0)**	**405.6**
Finance income							4.5
Finance costs							(92.2)
Income tax expense							(100.4)
Profit for the year							**217.5**
Profit attributable to non-controlling interests							25.0
Profit attributable to equity holders of the Company							192.5
							217.5
Other segment information							
Reversal of asset impairment	–	–	–	–	–	(24.3)	(24.3)
Additions to non-current assets	36.3	32.4	213.1	88.1	76.6	346.8	793.3

	AS AT 31 DECEMBER 2012						
US$ million	Sepon	Kinsevere	Century	Rosebery	Golden Grove	Other	Group
Segment assets	750.6	1,590.7	742.9	361.6	367.1	745.0	4,557.9
Deferred income tax assets							72.3
Current income tax assets							29.0
							4,659.2
Segment liabilities	216.7	141.7	336.3	119.0	80.0	1,723.9	2,617.6
Deferred income tax liabilities							235.0
Current income tax liabilities							120.8
							2,973.4

US$ million	Sepon	Century	Rosebery	Golden Grove	Other	Total continuing operations	Trading, fabrication & other operations	Total discontinued operations	Group
	FOR THE YEAR ENDED 31 DECEMBER 2011								
External revenue	741.6	741.5	272.5	342.9	–	2,098.5	2,324.9	2,324.9	4,423.4
Revenue from related parties	75.3	8.9	–	45.6	–	129.8	52.4	52.4	182.2
Revenue	**816.9**	**750.4**	**272.5**	**388.5**	**–**	**2,228.3**	**2,377.3**	**2,377.3**	**4,605.6**
EBITDA	**529.4**	**293.0**	**108.6**	**101.6**	**31.2**	**1,063.8**	**53.6**	**53.6**	**1,117.4**
Depreciation and amortisation	(58.1)	(176.8)	(21.8)	(48.3)	(3.5)	(308.5)	–	–	(308.5)
EBIT	**471.3**	**116.2**	**86.8**	**53.3**	**27.7**	**755.3**	**53.6**	**53.6**	**808.9**
Finance income						2.4	3.3	3.3	5.7
Finance costs						(48.6)	(9.2)	(9.2)	(57.8)
Profits on disposal of subsidiaries and investments accounted for using equity method						–		53.4	53.4
Income tax expense						(225.5)		(10.2)	(235.7)
Profit for the year						**483.6**		**90.9**	**574.5**
Profit attributable to non-controlling interests						29.5		4.1	33.6
Profit attributable to equity holders of the Company						454.1		86.8	540.9
						483.6		**90.9**	**574.5**
Other segment information									
Asset impairment	–	9.2	–	–	24.3	33.5	–	–	33.5
Additions to non-current assets	86.6	242.9	57.1	48.6	81.0	516.2	23.0	23.0	539.2

US$ million	Sepon	Century	Rosebery	Golden Grove	Other	Total continuing operations	Trading, fabrication & other operations	Total discontinued operations	Group
	AS AT 31 DECEMBER 2011								
Segment assets	1,045.4	719.9	281.8	318.4	1,017.0	3,382.5	–	–	3,382.5
Deferred income tax assets						63.6		–	63.6
Current income tax assets						7.4		–	7.4
						3,453.5		**–**	**3,453.5**
Segment liabilities	390.9	675.2	105.4	122.5	540.4	1,834.4	1.3	1.3	1,835.7
Deferred income tax liabilities						5.5		–	5.5
Current income tax liabilities						117.9		–	117.9
						1,957.8	**1.3**	**1.3**	**1,959.1**

The Century, Rosebery and Golden Grove operations are located in Australia. The Sepon operation is located in Laos, and the Kinsevere operation is located in the Katanga Province of the Democratic Republic of Congo, Africa. All other segments are immaterial by location.

6. OTHER INCOME

	2012 US$ million	2011 US$ million
Gain on disposal of investments	–	17.3
(Loss)/gain on disposal of property, plant and equipment and investment properties	(1.5)	0.6
Other income	9.6	1.2
Total other income	**8.1**	**19.1**

7. EXPENSES

Profit before income tax includes the following specific expenses:

	2012 US$ million	2011 US$ million
Changes in inventories of finished goods and work in progress	(12.4)	27.1
Employee benefit expenses(i)	(292.3)	(246.2)
Contracting and consulting expenses	(304.3)	(237.9)
Energy costs	(178.6)	(144.9)
Stores and consumables costs	(338.4)	(292.8)
Depreciation and amortisation expense(ii)	(445.1)	(308.5)
Operating lease rental(iii)	(24.4)	(17.7)
Write-down of inventory to net realisable value	(21.9)	(4.3)
Other operating expenses	(98.0)	(66.6)
Cost of goods sold	**(1,715.4)**	**(1,291.8)**
Royalties expenses	(94.5)	(94.5)
Freight expenses	(81.6)	(80.3)
Operating expenses	**(1,891.5)**	**(1,466.6)**
Administrative expenses	(125.3)	(125.3)
Exploration expenses	(77.3)	(64.0)
Auditor's remuneration	(1.8)	(1.6)
Business acquisition expenses	–	(8.8)
Reversal of impairment/(impairment of property, plant and equipment)	24.3	(33.5)
Exchange gains – net	3.3	3.1
Loss on financial assets at fair value through profit or loss	(14.1)	(2.3)
Other expenses	(19.5)	(9.0)
Total expenses	**(2,101.9)**	**(1,708.0)**

(i) In aggregate US$100.5 million (2011: US$85.3 million) of employee benefit expenses by nature are included in the administrative expenses, exploration expenses and other expenses categories. Total employee benefit expenses are US$392.8 million (2011: US$331.5 million).

(ii) In aggregate US$2.5 million (2011: US$ nil) of depreciation and amortisation expense is included in administrative expenses, exploration expenses and other expenses categories. Total depreciation and amortisation expense is US$447.6 million (2011: US$308.5 million).

(iii) In aggregate, an additional US$7.7 million (2011: US$4.9 million) of operating lease rentals are included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals are US$32.1 million (2011: US$22.6 million).

8. FINANCE COSTS – NET

	2012 US$ million	2011 US$ million
Finance costs		
Interest on borrowings wholly repayable within five years	(45.9)	(26.5)
Unwind of provisions discount	(39.0)	(20.8)
Other finance costs	(7.3)	(1.3)
	(92.2)	(48.6)
Finance income		
Interest income	4.5	2.4
Finance costs – net	**(87.7)**	**(46.2)**

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has tax losses brought forward to offset the assessable profit generated in Hong Kong for the year (2011: US$ Nil). Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

	2012 US$ million	2011 US$ million
Current income tax	(107.2)	(192.8)
Deferred income tax (refer to Note 19)	6.8	(32.7)
Income tax expense	**(100.4)**	**(225.5)**

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the applicable tax rate to profits of the consolidated companies as follows:

	2012 US$ million	2011 US$ million
Profit before income tax	317.9	709.1
Calculated at domestic tax rates applicable to profits in the respective countries[(i)]	(106.8)	(221.0)
Net non-taxable amounts	3.7	0.8
Net unrecognised deferred tax assets	(6.9)	(7.6)
Over provision in prior years	9.6	2.3
Income tax expense	**(100.4)**	**(225.5)**

(i) The Group's entities mainly operate in Australia, Laos and the DRC. The taxation rates applicable in Australia, Laos and the DRC are 30%, 33% and 30% respectively. The change in effective tax rate is caused by a change in the profitability of the Group's subsidiaries in the respective countries as well as the applicable tax rate for certain income generated and expenses incurred in the current year and prior year.

Deferred tax impact relating to other items of other comprehensive income:

	2012 US$ million	2011 US$ million
Available-for-sale financial assets	–	18.8

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$31.4 million (2011: US$278.6 million).

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

	2012 US$ million	2011 US$ million
Profit from continuing operations attributable to equity holders of the Company	192.5	454.1
Profit from discontinued operations attributable to equity holders of the Company	–	86.8

	Number of shares	
	2012 '000	2011 '000
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	5,289,608	4,545,099
Basic earnings per share – continuing operations	US 3.64 cents	US 9.99 cents
Basic earnings per share – discontinued operations	–	US 1.91 cents

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company share options and perpetual subordinated convertible securities (PSCS) issued in 2010 were converted to ordinary shares in 2011, and are no longer on issue. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012 US$ million	2011 US$ million
Profit from continuing operations attributable to equity holders of the Company	192.5	454.1
Profit from discontinued operations attributable to equity holders of the Company	–	86.8

	Number of shares	
	2012 '000	2011 '000
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	5,289,608	4,545,099
Adjustments for:		
– Share options	1,157	4,929
– Perpetual subordinated convertible securities	–	500,055
Weighted average number of ordinary shares used in the calculation of the diluted earnings per share	5,290,765	5,050,083
Diluted earnings per share – continuing operations	US 3.64 cents	US 8.99 cents
Diluted earnings per share – discontinued operations	–	US 1.72 cents

(c) Diluted earnings per share adjusted for non-recurring items

Diluted earnings per share adjusted for non-recurring items are presented to assist the comparability of earnings generated from ongoing operations attributable to equity holders of the Company. The calculation is based on profit from continuing operations attributable to equity holders of the Company, excluding the impact of significant non-recurring items (underlying profit), and the weighted average number of shares used in the calculation of diluted earnings per share.

Significant non-recurring items during 2011 include:

» The Group realised a gain of US$152.1 million (US$114.8 million after tax) from the disposal of shares held in Equinox; and
» The Group wrote back business acquisition costs of US$63.8 million (US$63.8 million after tax), which were accrued in 2010 in respect of common control acquisition of Minerals and Metals Group.

	2012 US$ million	2011 US$ million
Profit from continuing operations attributable to equity holders of the Company	192.5	454.1
Adjustment for:		
– Gain on disposal of shares held in Equinox (net of tax)	–	(114.8)
– Write-back of business acquisition costs (net of tax)	–	(63.8)
Underlying profit from continuing operations attributable to equity holders of the Company	192.5	275.5

	Number of shares '000	Number of shares '000
Weighted average number of shares used in the calculation of diluted earnings per share	5,290,765	5,050,083
Underlying diluted earnings per share – continuing operations	US 3.64 cents	US 5.46 cents

12. DIVIDENDS

No interim dividend was paid (2011: US$ Nil) and the Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: US$ Nil).

13. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2012 US$ million	2011 US$ million
Salaries and other benefits	371.0	314.8
Retirement scheme contributions (refer to Note 30)	21.8	16.7
Total employee benefit expenses	**392.8**	**331.5**

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every director for the year ended 31 December 2012 is set out below:

	FOR THE YEAR ENDED 31 DECEMBER 2012				
Name of Director	Fees US$'000	Salaries US$'000	Other benefits[v] US$'000	Incentive plans[vi] US$'000	Total US$'000
Mr Wang Lixin	465	–	1	–	466
Mr Hao Chuanfu[i]	–	62	12	–	74
Mr Andrew Gordon Michelmore	–	2,465	29	3,748	6,242
Mr David Mark Lamont	–	1,173	25	778	1,976
Mr Li Liangang[ii]	4	–	–	–	4
Mr Jiao Jian	141	–	–	–	141
Mr Xu Jiqing	141	–	–	–	141
Mr Gao Xiaoyu	141	–	–	–	141
Mr Loong Ping Kwan[iii]	16	–	–	–	16
Mr Leung Cheuk Yan[iv]	93	–	–	–	93
Dr Peter William Cassidy	220	–	–	–	220
Mr Anthony Charles Larkin	209	–	–	–	209
	1,430	3,700	67	4,526	9,723

(i) Resigned as the Vice Chairman and Executive Director on 29 March 2012.
(ii) Resigned as an Executive Director on 29 March 2012.
(iii) Resigned as an Independent Non-executive Director on 30 May 2012.
(iv) Appointed as an Independent Non-executive Director on 9 July 2012.
(v) Other benefits include statutory superannuation and pension contributions, non-monetary benefits and housing allowance. Not all benefits apply to each executive; benefits are applied variably based on contractual and statutory obligations.
(vi) Incentive plans include at-risk performance-linked remuneration of both short and long-term incentives and discretionary bonuses.

The Short Term Incentive (STI) Plan is an annual cash reward determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs and operational safety.

The Long Term Incentive (LTI) Plan is a cash-settled reward at the conclusion of three performance years. Performance measures for the current LTI plans are differentiated from the STI plan and include three equally weighted metrics of:

» Diluted earnings per share (EPS) growth;
» Resources growth; and
» Relative performance to total Shareholder return (TSR) HSBC Global Mining Index.

Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group.

All employees on long-term employment contracts are eligible to participate in the STI plan while the LTI plan is limited to senior managers. The remuneration of every director for the year ended 31 December 2011 is set out below:

	FOR THE YEAR ENDED 31 DECEMBER 2011				
Name of Director	Fees US$'000	Salaries US$'000	Other benefits[(vi)] US$'000	Incentive plans[(vii)] US$'000	Total US$'000
Mr Wang Lixin[(i)]	419	–	–	–	419
Mr Hao Chuanfu	–	267	61	41	369
Mr Andrew Gordon Michelmore	–	2,294	28	4,595	6,917
Mr David Mark Lamont	–	1,110	23	1,185	2,318
Mr Li Liangang	13	171	38	–	222
Mr Jiao Jian	137	–	–	–	137
Mr Xu Jiqing	141	–	–	–	141
Mr Gao Xiaoyu[(ii)]	65	–	–	–	65
Mr Loong Ping Kwan	38	–	–	–	38
Dr Peter William Cassidy	219	–	–	–	219
Mr Anthony Charles Larkin[(iii)]	17	–	–	–	17
Mr Li Fuli[(iv)]	34	–	–	–	34
Mr Ting Leung Huel, Stephen[(v)]	35	–	–	–	35
	1,118	**3,842**	**150**	**5,821**	**10,931**

(i) Appointed as the Chairman while remaining as a Non-executive Director on 1 April 2011.
(ii) Appointed as a Non-executive Director on 1 April 2011.
(iii) Appointed as an Independent Non-executive Director on 30 November 2011.
(iv) Resigned as the Chairman and Non-executive Director on 1 April 2011.
(v) Resigned as a Non-executive Director on 30 November 2011.
(vi) Other benefits include statutory superannuation and pension contributions, non-monetary benefits and housing allowance. Not all benefits apply to each executive; benefits are applied variably based on contractual and statutory obligations.
(vii) Incentive plans include at-risk performance-linked remuneration of both short and long-term incentives and discretionary bonuses.

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two directors (2011: 2) whose emoluments are reflected in the analysis presented above. Details of the emoluments payable to all five individuals during the year are as follows:

	2012 US$ '000	2011 US$ '000
Salaries and other short-term employee benefits	6,250	5,784
Long-term incentives scheme	2,815	3,926
Short-term incentives scheme	3,427	3,920
	12,492	**13,630**

The emoluments fell within the following bands:

	NUMBER OF INDIVIDUALS	
	2012	2011
HK$8,500,001 – HK$9,000,000 (US$1,095,785 – US$1,160,242)	1	1
HK$9,500,001 – HK$10,000,000 (US$1,224,700 – US$1,289,158)	–	1
HK$12,000,001 – HK$12,500,000 (US$1,546,990 – US$1,611,448)	2	–
HK$15,000,001 – HK$15,500,000 (US$1,933,737 – US$1,998,195)	1	–
HK$15,500,001 – HK$16,000,000 (US$1,998,196 – US$2,062,653)	–	1
HK$18,000,001 – HK$18,500,000 (US$2,320,485 – US$2,384,943)	–	1
HK$48,000,001 – HK$48,500,000 (US$6,187,959 – US$6,252,417)	1	–
HK$53,500,001 – HK$54,000,000 (US$6,896,996 – US$6,961,454)	–	1
	5	5

During the year, no director waived any emoluments and no emoluments were paid or payable by the Group to the directors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management remuneration by band

The emoluments fell within the following bands:

	NUMBER OF INDIVIDUALS	
	2012	2011
HK$6,500,001 – HK$7,000,000 (US$837,953 – US$902,411)	1	–
HK$7,000,001 – HK$7,500,000 (US$902,412 – US$966,869)	–	1
HK$8,500,001 – HK$9,000,000 (US$1,095,785 – US$1,160,242)	1	1
HK$9,500,001 – HK$10,000,000 (US$1,224,700 – US$1,289,158)	–	1
HK$12,000,001 – HK$12,500,000 (US$1,546,990 – US$1,611,448)	2	–
HK$15,000,001 – HK$15,500,000 (US$1,933,737 – US$1,998,195)	1	–
HK$15,500,001 – HK$16,000,000 (US$1,998,196 – US$2,062,653)	–	1
HK$18,000,001 – HK$18,500,000 (US$2,320,485 – US$2,384,943)	–	1
HK$48,000,001 – HK$48,500,000 (US$6,187,959 – US$6,252,417)	1	–
HK$53,500,001 – HK$54,000,000 (US$6,896,996 – US$6,961,454)	–	1
	6	6

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

US$ million	Land and buildings	Plant and machinery	Mine property and development	Evaluation	Construction in progress	Total property, plant and equipment
As at 1 January 2012						
Cost	184.4	1,144.1	1,230.9	1.5	192.3	2,753.2
Accumulated depreciation and amortisation	(66.2)	(429.8)	(501.0)	(0.7)	(0.6)	(998.3)
Net book amount at 1 January 2012	**118.2**	**714.3**	**729.9**	**0.8**	**191.7**	**1,754.9**
Year ended 31 December 2012						
At the beginning of the year	118.2	714.3	729.9	0.8	191.7	1,754.9
Acquisition of subsidiaries	15.0	423.9	801.9	–	24.2	1,265.0
Additions	1.8	7.0	304.3	36.6	443.6	793.3
Depreciation and amortisation	(17.8)	(146.9)	(300.9)	(0.1)	–	(465.7)
Disposals	(0.1)	(3.2)	–	–	–	(3.3)
Reversal of asset impairment	0.5	19.2	4.0	–	0.6	24.3
Transfers	25.8	49.7	26.6	–	(102.1)	–
Transferred to disposal group classified as held for sale (refer to Note 36)	(0.5)	(19.2)	(4.0)	–	(0.6)	(24.3)
At the end of the year	**142.9**	**1,044.8**	**1,561.8**	**37.3**	**557.4**	**3,344.2**
As at 31 December 2012						
Cost	226.9	1,621.3	2,363.8	38.1	558.0	4,808.1
Accumulated depreciation and amortisation	(84.0)	(576.5)	(802.0)	(0.8)	(0.6)	(1,463.9)
Net book amount at 31 December 2012	**142.9**	**1,044.8**	**1,561.8**	**37.3**	**557.4**	**3,344.2**

US$ million	Land and buildings	Plant and machinery	Mine property and development	Evaluation	Construction in progress	Total property, plant and equipment
As at 1 January 2011						
Cost	169.8	1,123.4	853.1	1.9	124.3	2,272.5
Accumulated depreciation and amortisation	(37.9)	(284.3)	(278.2)	(0.6)	–	(601.0)
Net book amount at 1 January 2011	**131.9**	**839.1**	**574.9**	**1.3**	**124.3**	**1,671.5**
Year ended 31 December 2011						
At the beginning of the year	131.9	839.1	574.9	1.3	124.3	1,671.5
Additions	2.3	21.7	366.6	–	177.0	567.6
Depreciation and amortisation	(9.2)	(99.4)	(202.8)	(0.1)	–	(311.5)
Disposals	(0.2)	(4.9)	(17.3)	–	(0.4)	(22.8)
Asset impairment	(0.5)	(28.4)	(4.0)	–	(0.6)	(33.5)
Transfers	21.1	65.7	12.5	(0.4)	(102.0)	(3.1)
Transferred to disposal group classified as held for sale	(27.2)	(79.5)	–	–	(6.6)	(113.3)
At the end of the year	**118.2**	**714.3**	**729.9**	**0.8**	**191.7**	**1,754.9**
As at 31 December 2011						
Cost	184.4	1,144.1	1,230.9	1.5	192.3	2,753.2
Accumulated depreciation and amortisation	(66.2)	(429.8)	(501.0)	(0.7)	(0.6)	(998.3)
Net book amount at 31 December 2011	**118.2**	**714.3**	**729.9**	**0.8**	**191.7**	**1,754.9**

(b) The Company

US$ million	Land and buildings	Plant and machinery	Total property, plant and equipment
As at 1 January 2012			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount at 1 January 2012	**–**	**–**	**–**
Year ended 31 December 2012			
At the beginning of the year	–	–	–
Additions	–	1.7	1.7
Depreciation	–	(0.3)	(0.3)
At the end of the year	**–**	**1.4**	**1.4**
As at 31 December 2012			
Cost	–	1.7	1.7
Accumulated depreciation	–	(0.3)	(0.3)
Net book amount at 31 December 2012	**–**	**1.4**	**1.4**
As at 1 January 2011			
Cost	0.5	0.3	0.8
Accumulated depreciation	(0.3)	(0.2)	(0.5)
Net book amount at 1 January 2011	**0.2**	**0.1**	**0.3**
Year ended 31 December 2011			
At the beginning of the year	0.2	0.1	0.3
Disposals	(0.1)	(0.1)	(0.2)
Depreciation	(0.1)	–	(0.1)
At the end of the year	**–**	**–**	**–**
As at 31 December 2011			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount at 31 December 2011	**–**	**–**	**–**

16. INTANGIBLE ASSETS

US$ million	Goodwill	Software development	Alumina purchasing rights	Total intangible assets
As at 1 January 2012				
Cost	–	–	–	–
Accumulated amortisation	–	–	–	–
Net book amount at 1 January 2012	**–**	**–**	**–**	**–**
Year ended 31 December 2012				
At the beginning of the year	–	–	–	–
Acquisition	211.4	–	–	211.4
Additions	–	19.5	–	19.5
At the end of the year	**211.4**	**19.5**	**–**	**230.9**
As at 31 December 2012				
Cost	211.4	19.5	–	230.9
Accumulated amortisation	–	–	–	–
Net book amount at 31 December 2012	**211.4**	**19.5**	**–**	**230.9**
As at 1 January 2011				
Cost	–	–	174.0	174.0
Accumulated amortisation	–	–	(42.0)	(42.0)
Net book amount at 1 January 2011	**–**	**–**	**132.0**	**132.0**
Year ended 31 December 2011				
At the beginning of the year	–	–	132.0	132.0
Transferred to disposal group classified as held for sale	–	–	(132.0)	(132.0)
At the end of the year	**–**	**–**	**–**	**–**
As at 31 December 2011				
Cost	–	–	–	–
Accumulated amortisation	–	–	–	–
Net book amount at 31 December 2011	**–**	**–**	**–**	**–**

(a) Impairment test for goodwill

The Group acquired control of Anvil on 17 February 2012. A provisional fair value assessment has been performed of the identifiable assets and liabilities of Anvil at the acquisition date. Goodwill of US$211.4 million has been recognised due to the HKFRS requirement to recognise a deferred tax liability for the difference between the fair value of newly consolidated assets and liabilities and their tax bases.

The acquired goodwill is allocated to the Kinsevere cash-generating unit for the purposes of impairment testing, in line with the Group accounting policy outlined in Note 2.8. For the purpose of testing goodwill for impairment the related deferred tax liability is included in the carrying value of the Kinsevere cash-generating unit.

The provisional impairment review at 31 December 2012 has not resulted in the recognition of a goodwill impairment charge in 2012.The acquisition cost continues to approximate fair value and the company continues to pursue the identified enhancement and synergy opportunities. The recoverable amount has been assessed by reference to fair value less costs to sell, using discounted cash flows. Fair value less costs to sell has been determined by estimating cash flows through to the end of the life of the cash-generating unit based on latest financial budgets, life of mine (LOM) plans and applicable risk-adjusted discount rates. The financial budgets and LOM plans incorporate latest approved Mineral Resources and Ore Reserves Statements, long-term commodity price and exchange rate assumptions, assessments of future operating performance and capital expenditure requirements.

The key assumptions for which fair value less costs to sell are most sensitive include long-term commodity price, long-term operating cost assumptions and the discount rate. Commodity price assumptions are based on latest internal forecasts benchmarked with external sources of information. The long-term cost assumptions have been determined based on past experience. The discount rate is based on the weighted average cost of capital after consideration of specific risks. A real post-tax discount rate of 8.0 per cent has been applied.

The Kinsevere operation experienced unexpected network-wide power supply disruptions in 2012 that impacted mine ramp-up. The efficiency of long-term operating performance is subject to the cost and timing of access to a reliable power supply. Since the acquisition cost continues to approximate fair value, an adverse change to a key assumption will result in fair value less cost to sell being less than the carrying amount. This assumes that the adverse change in the key assumption occurs in isolation of changes to other key assumptions and that no mitigating action is taken by management.

A summary of the Anvil acquisition is outlined in Note 26.

(b) Alumina purchasing rights

The alumina purchasing rights represented the Group's rights to source alumina from a third-party supplier, amounting to approximately 400,000 tonnes per annum up to mid-2027, at prices which correlated to the production costs of the supplier. The alumina purchasing rights were disposed as part of the sale of the discontinued operations (refer to Note 36).

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2012 US$ million	2011 US$ million
Investments in subsidiaries		
Unlisted shares/investments at cost	6.2	6.2
Less: Provision for impairment	(0.4)	(0.4)
	5.8	**5.8**
Amounts due from subsidiaries[i]	1,603.9	2,351.8
Less: Provision for impairment	(149.9)	(149.7)
	1,454.0	**2,202.1**
Interests in subsidiaries	**1,459.8**	**2,207.9**
Amounts due from subsidiaries[ii]	–	644.2
Amounts due to subsidiaries[iii]	(33.9)	(505.9)
Loans to subsidiaries[iv]	2,149.8	–
Loans from subsidiaries[v]	(676.1)	–

(i) The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

(ii) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(iii) The amounts due to subsidiaries of which US$33.9 million (2011: US$4.3 million) is unsecured, interest-free and repayable on demand. The remaining US$ Nil (2011: US$501.6 million) are unsecured, interest-bearing loans with no fixed repayment term.

(iv) Loans to subsidiaries are unsecured and interest bearing at Libor+3%, of which US$741.8 million is repayable on 2 May 2014, US$56.3 million repayable on 15 September 2014, US$1,308.2 million repayable on 17 February 2015 and US$43.5 million repayable on 28 March 2015 (2011:US$ Nil).

(v) Loans from subsidiaries are unsecured and interest bearing at Libor+3%, of which US$341.1 million is repayable on 10 November 2014 and US$335.0 million repayable on 10 February 2015.

The following is a list of the principal subsidiaries as at 31 December 2012:

Name of company	Place of incorporation/ operation	Principal activities	Particulars of issued or paid-up capital	Proportion of issued capital held by the Company	
				Directly	Indirectly
MMG Century Limited	Australia	Mineral exploration and production	30 ordinary shares at A$1 a share	–	100%
MMG Golden Grove Pty Ltd	Australia	Mineral exploration and production	1 ordinary share at A$1 a share	–	100%
MMG Australia Limited	Australia	Mineral exploration and production, management and employment services	490,000,000 ordinary shares at A$1 a share	–	100%
MMG Kinsevere SPRL	DRC	Mineral exploration and production	10,000 ordinary shares at CDF10,000 a share	–	100%
Lane Xang Minerals Limited	Laos	Mineral exploration and production	342,979 ordinary shares at US$1 a share	–	90%
MMG Dugald River Pty Ltd (Formerly: SPC (Nominees) Pty Ltd)	Australia	Holds Dugald River assets	20 ordinary shares at A$1 a share	–	100%
MMG Exploration Pty Ltd	Australia	Investment holding	1 ordinary share at A$1 a share	–	100%
MMG Resources Inc.	Canada	Mineral exploration	90,750,378 common shares at C$1 a share	–	100%
MMG Management Pty Ltd	Australia	Treasury and management services	1 ordinary share at A$1 a share	–	100%
MMG Finance Limited	Hong Kong	Treasury and management services	1 ordinary share at HK$1 a share	100%	–
MMG Exploration Holdings Limited	Hong Kong	Mineral exploration	1 ordinary share at HK$1 a Share	100%	–
Album Investment Pte Ltd	Singapore	Investment holding	488,211,900 ordinary shares at S$1 a share	–	100%
Album Resources Pte Ltd	Singapore	Investment holding	488,211,901 ordinary shares at S$1 a share	–	100%
Anvil Mining Limited	British Virgin Islands	Investment holding	100 Class A common shares at US$1 a share	–	100%
Allegiance Mining Pty Ltd	Australia	Non-current assets held for sale	782,455,310 ordinary shares at A$1 a share	–	100%

18. INVENTORIES

	2012 US$ million	2011 US$ million
Non-current		
Work in progress	54.4	33.1
Current		
Stores and consumables	127.3	82.2
Work in progress	101.5	99.2
Finished goods	71.2	97.0
	300.0	278.4
Total	**354.4**	**311.5**

19. DEFERRED INCOME TAX

The movement in deferred income tax assets/(liabilities) account during the years is as follows:

US$ million	Property, plant and equipment	Provisions	Tax losses	Others	Total
At 1 January 2011	27.9	62.8	–	(12.0)	78.7
(Charged)/credited to the income statement	(79.1)	54.1	–	(7.7)	(32.7)
Credited to equity	–	–	–	18.8	18.8
Amounts classified as held for sale	–	–	–	(6.7)	(6.7)
At 31 December 2011	(51.2)	116.9	–	(7.6)	58.1
(Charged)/credited to the income statement	(58.5)	13.8	51.2	0.3	6.8
Acquisition of subsidiaries	(316.8)	9.6	79.6	–	(227.6)
At 31 December 2012	**(426.5)**	**140.3**	**130.8**	**(7.3)**	**(162.7)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to income tax levied by the same taxation authority on either the taxation entity or different taxation entities, and there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2012 US$ million	2011 US$ million
Deferred income tax assets	72.3	63.6
Deferred income tax liabilities	(235.0)	(5.5)
	(162.7)	**58.1**

The Group only recognises deferred tax assets for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses. Management will continue to assess the recognition of deferred tax assets in future reporting periods. At 31 December 2012 and 2011, the Group has unrecognised deferred tax assets in respect of the following items:

	2012 US$ million	2011 US$ million
Tax losses	17.0	16.1
Deductible temporary differences	103.0	106.0
At 31 December	**120.0**	**122.1**

20. TRADE AND OTHER RECEIVABLES

As at 31 December 2012 and 2011, trade and other receivables of the Group mainly relate to the mining operations. The majority of sales for mining operations are made under contractual arrangements whereby provisional payment is received after delivery and the balance within 30 to 90 days from delivery. The ageing analysis of the trade receivables is as follows:

	2012		2011	
	US$ million	%	US$ million	%
Trade receivables				
Less than 6 months	134.6	100.0	66.1	100.0
	134.6	100.0	66.1	100.0
Less: Provision for impairment	–		–	
Trade receivables – net	134.6		66.1	

As at 31 December 2012, no trade receivables were past due but not impaired (2011: US$ Nil).

As at 31 December 2012, the Group's trade receivables included an amount of US$19.2 million (2011: US$29.9 million), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2012 US$ million	2011 US$ million
US dollars	134.6	66.1

	2012 US$ million	2011 US$ million
Current other receivables		
Prepayment	26.8	14.9
Consideration receivables from CMN (refer to Note 36)	–	28.5
Other receivables – Government taxes	18.1	2.8
Other receivables	32.4	6.0
	77.3	52.2
Current trade receivables	134.6	66.1
Current other receivables	77.3	52.2
Current trade and other receivables	**211.9**	**118.3**
Non-current other receivables		
Prepayment	34.4	–
Other receivables	7.8	–
	42.2	**–**

21. OTHER FINANCIAL ASSETS

	2012 US$ million	2011 US$ million
Non-current financial assets		
Financial assets at fair value through profit or loss – listed(i)	4.8	2.7
	4.8	**2.7**
Current financial assets		
Available-for-sale financial assets – listed(i)	72.1	–
Financial assets at fair value through profit or loss – listed(i)	16.7	1.7
Available-for-sale financial assets – unlisted	52.5	–
	141.3	**1.7**

(i) Other financial assets are listed investments outside Hong Kong and their carrying value is equal to their market value.

22. OTHER ASSETS

	2012 US$ million	2011 US$ million
Investments accounted for using the equity method	0.1	0.1
Investment property	0.8	1.8
	0.9	**1.9**

23. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2012 US$ million	2011 US$ million	2012 US$ million	2011 US$ million
Cash and cash equivalents				
Cash at bank and in hand	97.2	64.0	0.7	3.4
Short-term bank deposits(i)	4.9	1,032.5	–	218.9
	102.1	**1,096.5**	**0.7**	**222.3**

(i) The weighted average effective interest rate on short-term bank deposits as at 31 December 2012 was 0.25% (2011: 0.9%). These deposits have an average maturity of 12 days (2011: 21 days).

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2012 US$ million	2011 US$ million	2012 US$ million	2011 US$ million
US dollars	90.2	1,086.4	–	218.9
Australian dollars	7.3	3.4	–	–
Hong Kong dollars	0.7	4.9	0.7	3.4
Other	3.9	1.8	–	–
	102.1	**1,096.5**	**0.7**	**222.3**

24. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES		NOMINAL VALUE	
	2012 '000	2011 '000	2012 HK$ million	2011 HK$ million
Authorised				
Ordinary shares of HK$0.05 each				
At 1 January and 31 December	18,000,000	18,000,000	900.0	900.0

	2012 '000	2011 '000	2012 US$ million	2011 US$ million
Issued and fully paid				
At 1 January	5,289,608	2,966,996	33.9	19.0
Issue of shares(i)	–	762,612	–	4.9
Conversion of PSCS into ordinary shares(ii)	–	1,560,000	–	10.0
At 31 December	**5,289,608**	**5,289,608**	**33.9**	**33.9**

(i) On 28 April 2011, the Company issued and placed aggregate 762,612,000 ordinary shares to certain independent third parties at HK$5.10 per share. These shares rank pari passu in all respects with the then existing shares.

(ii) On 28 April 2011, 1,560,000,000 ordinary shares were issued and allotted to Album Enterprises upon the conversion of the PSCS. These shares rank pari passu in all respects with the then existing shares.

25. RESERVES AND RETAINED PROFITS

(a) The Group

US$ million	Share premium (i)	Capital reserve (ii)	Special capital reserve (iii)	Exchange translation reserve (v)	Available-for-sale financial assets reserve (vi)	Merger reserve (vii)	Other reserves	Total other reserves	Retained profits	Total
At 1 January 2012	2,318.6	6.2	9.4	2.7	–	(1,946.9)	0.4	**390.4**	1,011.1	**1,401.5**
Profit for the year	–	–	–	–	–	–	–	**–**	192.5	**192.5**
Other comprehensive income										
Change in fair value of available-for-sale financial assets	–	–	–	–	2.4	–	–	**2.4**	–	**2.4**
Total comprehensive income for the year	–	–	–	–	2.4	–	–	**2.4**	192.5	**194.9**
At 31 December 2012	**2,318.6**	**6.2**	**9.4**	**2.7**	**2.4**	**(1,946.9)**	**0.4**	**392.8**	**1,203.6**	**1,596.4**

US$ million	Share premium (i)	Capital reserve (ii)	Special capital reserve (iii)	PRC statutory reserves (iv)	Exchange translation reserve (v)	Available -for-sale financial assets reserve (vi)	Merger reserve (vii)	Other reserves	Total other reserves	Retained profits	Total
At 1 January 2011	1,151.9	11.2	9.4	19.9	33.4	43.5	(1,946.9)	0.4	**(677.2)**	445.2	**(232.0)**
Profit for the year	–	–	–	–	–	–	–	–	–	540.9	**540.9**
Other comprehensive income											
Change in fair value of available-for-sale financial assets	–	–	–	–	–	88.2	–	–	**88.2**	–	**88.2**
Deferred income tax	–	–	–	–	–	(18.1)	–	–	**(18.1)**	–	**(18.1)**
Transfer to income statement on disposal of available-for-sale financial assets	–	–	–	–	–	(149.1)	–	–	**(149.1)**	–	**(149.1)**
Income tax expense	–	–	–	–	–	36.4	–	–	**36.4**	–	**36.4**
Currency translation differences	–	–	–	–	11.6	–	–	–	**11.6**	–	**11.6**
Currency translation differences transfer to income statement on disposal of subsidiaries and investments accounted for using the equity method	–	–	–	–	(45.9)	–	–	–	**(45.9)**	–	**(45.9)**
Total comprehensive income for the year	–	–	–	–	(34.3)	(42.6)	–	–	**(76.9)**	540.9	**464.0**
Transactions with owners											
Transfer to/(from) reserves	–	5.8	–	0.3	–	–	–	–	**6.1**	(6.1)	**–**
Issue of shares	489.4	–	–	–	–	–	–	–	**489.4**	–	**489.4**
Conversion of PSCS into ordinary shares	677.3	–	–	–	2.7	–	–	–	**680.0**	–	**680.0**
Employee share option	–	–	–	–	–	–	–	0.1	**0.1**	–	**0.1**
Disposal of subsidiaries	–	(10.8)	–	(20.2)	0.9	(0.9)	–	(0.1)	**(31.1)**	31.1	**–**
Total transactions with owners	1,166.7	(5.0)	–	(19.9)	3.6	(0.9)	–	–	**1,144.5**	25.0	**1,169.5**
At 31 December 2011	**2,318.6**	**6.2**	**9.4**	**–**	**2.7**	**–**	**(1,946.9)**	**0.4**	**390.4**	**1,011.1**	**1,401.5**

(b) The Company

US$ million	Share premium	Capital reserve	Special capital reserve	Capital redemption reserve	Share option reserve	(Accumulated losses)/ retained profits	Total
At 1 January 2011	1,151.9	6.2	9.4	0.2	–	(82.0)	1,085.7
Profit for the year	–	–	–	–	–	278.6	278.6
Issue of shares	489.4	–	–	–	–	–	489.4
Conversion of PSCS into ordinary shares	677.3	–	–	–	–	–	677.3
Employee share options	–	–	–	–	0.1	–	0.1
At 31 December 2011	2,318.6	6.2	9.4	0.2	0.1	196.6	2,531.1
Profit for the year	–	–	–	–	–	31.4	31.4
At 31 December 2012	2,318.6	6.2	9.4	0.2	0.1	228.0	2,562.5

Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of the share premium account and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(ii) Capital reserve

The capital reserve comprises the excess of consideration of US$6.2 million paid by Coppermine Resources Limited, the previous immediate holding company of the Company, over the nominal value of 475,376,917 shares of the Company issued on 12 January 2004.

(iii) Special capital reserve

In relation to the capital reorganisation as confirmed by the High Court of the Hong Kong Special Administrative Region on 13 February 2007, the Company has provided an undertaking (Undertaking) for its petition to the court that as long as any debt or liability of claim against the Company as at the effective date of this capital reorganisation remains outstanding, the Company should credit the following amounts to a special reserve (Special Reserve):

» all retained profits, if any, accruing to the Company between 1 November 2006 and 13 February 2007 (the effective date of the capital reorganisation);
» any recovery in excess of the written-down value of or the reversal of impairment loss in respect of certain investments in subsidiaries, listed securities, properties and loans or receivables of the Company as at 31 October 2006; and
» an amount equal to the change in fair value in respect of certain share options not yet vested as at 31 October 2006.

The standing to the credit of the Special Reserve shall not be treated as realised profit. It shall be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Hong Kong Companies Ordinance. As at 31 December 2012, the standing to the credit of the Company's special capital reserve, which had been made in accordance with the Undertaking, amounted to approximately US$9.4 million (2011: US$9.4 million).

(iv) PRC statutory reserves

PRC statutory reserves comprise statutory reserve fund and enterprise expansion reserve, which are reserves required by the relevant PRC laws applicable to the Group's subsidiaries and cannot be used for distribution in the form of cash dividends.

For the Group's subsidiaries registered under the PRC law on jointly controlled entities with Chinese and foreign investment, the appropriations to the statutory reserve fund and enterprise expansion reserve are determined at the discretion of the Board of Directors of the respective subsidiaries.

For the Group's subsidiaries registered under the PRC law on Enterprises Operated Exclusively with Foreign Capital, the appropriations to the statutory reserve fund and enterprise expansion reserve are determined at the discretion of the Board of Directors of the respective subsidiaries. However, the appropriation to the statutory reserve fund should not be less than 10% of their profit after income tax as stated in the PRC statutory financial statements unless the statutory reserve fund reaches 50% of their registered capital.

The statutory reserve fund can be used to set off accumulated losses while the enterprise expansion reserve can be used for expansion of production facilities or to increase the capital of the subsidiaries upon approval by the regulatory authority.

(v) Exchange translation reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2.5(c).

(vi) Available-for-sale financial assets reserve

The available-for-sale financial assets reserve represents the change in fair value of the available-for-sale financial assets.

(vii) Merger reserve

Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 against their share capital.

Distributable reserves

At 31 December 2012, the Company had US$234.2 million reserves available for distribution to Shareholders (2011: US$202.8 million).

26. BUSINESS COMBINATION

Summary of acquisition

On 19 October 2011, MMG Malachite Limited, a wholly owned subsidiary of the Company, made an all-cash recommended takeover offer to acquire all of the common shares in Anvil, a company incorporated in Canada with its common shares listed on the Toronto Stock Exchange, at a price of C$8.00 on a fully diluted basis (the Offer). The Offer expired on 17 February 2012 and 98.07% of the shares in Anvil were acquired by the Company. Details of the Offer were set out in the Company's circular to the Shareholders dated 24 February 2012. The Group exercised its rights under the compulsory acquisition provision of the Business Corporations Act (Northwest Territories) to acquire all of the outstanding common shares, which was completed in March 2012.

The total acquisition price was US$1,310.5 million and was financed through cash reserves of US$1,010.5 million and a loan from Album Enterprises of US$300.0 million (refer to Note 35).

The Group has performed a provisional assessment of the estimated fair value of the net identifiable assets and liabilities of Anvil as at 17 February 2012. The following table summarises the consideration paid for Anvil, and the amounts of the assets acquired and liabilities assumed that were recognised at the acquisition date as per the provisional assessment.

	AS AT 17 FEBRUARY 2012
	US$ million
Purchase Consideration	
Cash paid	1,310.5
Total purchase consideration	**1,310.5**

Recognised Amounts of Identifiable Assets Acquired and Liabilities Assumed	Fair Value US$ million
ASSETS	
Non-current assets	
Property, plant and equipment	1,265.0
Inventories	11.4
Other receivables	43.9
Other financial assets	27.1
	1,347.4
Current assets	
Inventories	42.3
Trade and other receivables	28.9
Other financial assets	52.5
Cash and cash equivalents	73.3
	197.0
Total assets	**1,544.4**

Recognised Amounts of Identifiable Assets Acquired and Liabilities Assumed (continued)	Fair Value US$ million
LIABILITIES	
Non-current liabilities	
Deferred income tax liabilities	227.6
Provisions	31.4
	259.0
Current liabilities	
Trade and other payables	92.4
Borrowings	42.2
Provisions	1.7
	136.3
Total liabilities	**395.3**
Net identifiable assets acquired	1,149.1
Add: Non-controlling interest	(50.0)
Add: Goodwill	211.4
Total	**1,310.5**

Acquisition-related costs of US$4.8 million have been charged to finance costs for the year ended 31 December 2012. In November 2011, acquisition-related costs of US$4.8 million were charged to finance costs. In addition, acquisition-related costs of US$8.8 million have been charged to expense for the year ended 31 December 2011.

The non-controlling interest was valued at fair value and measured commensurate with the purchase price paid for Kinsevere as part of the Anvil acquisition.

Goodwill arising on acquisition of US$211.4 million comprises the amount calculated to recognise a deferred tax liability on the difference between the provisional fair value of newly consolidated assets and liabilities and their tax base.

The acquired business contributed revenue of US$279.9 million and profit of US$28.2 million to the Group for the period from 17 February 2012 to 31 December 2012. If the acquisition had occurred at the start of the reporting period, the contributed revenue would have been US$317.7 million with no significant change in net profit.

27. SHARE OPTION SCHEME

2004 Share Option Scheme

Pursuant to the share option scheme adopted by the Company on 28 May 2004 (2004 Share Option Scheme), there were 3,600,000 options outstanding as at 31 December 2012, which represented approximately 0.07% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2012, the movements of the options, which have been granted under the 2004 Share Option Scheme, are as follows:

				NUMBER OF OPTIONS					
Category and name of participant	Date of grant(i)	Exercise price per share (HK$)	Exercise period(ii)	Balance as at 1 January 2012	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year(iii)	Balance as at 31 December 2012
Directors									
Jiao Jian	3 June 2010	2.75	3 June 2012 to 2 June 2015	1,200,000	–	–	–	–	1,200,000
Xu Jiqing	3 June 2010	2.75	3 June 2012 to 2 June 2015	1,000,000	–	–	–	–	1,000,000
Employees of the Group	3 June 2010	2.75	3 June 2012 to 2 June 2015	5,100,000(iv)	–	–	–	(3,700,000)	1,400,000
				7,300,000	–	–	–	(3,700,000)	3,600,000

(i) The closing price of the shares of the Company immediately before the date on which the options were granted was HK$2.69 per share.

(ii) The options granted may be exercised according to the following three tranches, which are subject to certain terms and conditions, including, among others, the achievement of certain performance targets by the Group and the grantee:

(a) Up to 33% of the options granted to each grantee shall be exercisable at any time after the expiration of 24 months from the date of grant of options;

(b) Up to 67% of the options granted to each grantee shall be exercisable at any time after the expiration of 36 months from the date of grant of options; and

(c) Up to 100% of the options granted to each grantee shall be exercisable at any time after the expiration of 48 months from the date of grant of options, and in each case, not later than 2 June 2015.

(iii) Options lapsed due to cessation of employment.

(iv) This includes 2,700,000 options granted to two directors who subsequently resigned as directors of the Company on 29 March 2012 but remained as directors of certain subsidiaries of the Company until August 2012.

The estimated fair value of the options granted on 3 June 2010 was approximately US$0.1183 each, estimated as at the date of grant by using the binomial option-pricing model and taking into account the terms and conditions (except vesting conditions other than market conditions) upon which the options were granted, of which the Group recognised a reversal of share option expense of approximately US$45,000 because the Group revised its estimates of the number of options that are expected to vest for the year ended 31 December 2012 (2011 recognised share option expense: US$48,000).

28. BORROWINGS

	2012 US$ million	2011 US$ million
Non-current		
Loan from a related party (refer to Note 35(e))	300.0	–
Bank borrowings	971.5	292.4
Finance lease liabilities	0.7	2.1
	1,272.2	294.5
Prepayments – finance charges	(6.9)	–
	1,265.3	**294.5**
Current		
Bank borrowings	372.0	785.4
Finance lease liabilities	1.3	1.2
	373.3	786.6
Prepayments – finance charges	(2.7)	–
	370.6	**786.6**
Analysed as:		
– Secured	923.1	944.3
– Unsecured	722.4	136.8
	1,645.5	1,081.1
Prepayments – finance charges	(9.6)	–
	1,635.9	**1,081.1**
Borrowings (excluding: prepayments) are repayable as follows:		
– Within one year	373.3	786.6
– Between one and two years	410.2	35.8
– Between two and five years	862.0	258.7
– Repayable within five years	1,645.5	1,081.1
– Over five years	–	–
	1,645.5	1,081.1
Prepayments – finance charges	(9.6)	–
	1,635.9	**1,081.1**
Borrowings (excluding: prepayments) are:		
– Wholly repayable within five years	1,645.5	1,081.1
– Not wholly repayable within five years	–	–
	1,645.5	**1,081.1**

An analysis of the carrying amounts of the total borrowings (excluding finance leases and prepayments) by type and currency is as follows:

	2012 US$ million	2011 US$ million
US dollars		
– At floating rates	1,643.5	1,077.8
	1,643.5	**1,077.8**

The effective interest rates at the balance sheet date were as follows:

	2012	2011
Borrowings	2.6%	1.8%

As at 31 December 2012, the borrowings of the Group were secured as follows:

(i) Approximately US$751.0 million from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment Private Limited (Album Investment), a wholly owned subsidiary of the Company, and 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited, a 90%-owned subsidiary of Album Investment, and a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; and

(ii) Approximately US$170.0 million from China Development Bank Corporation was also secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment and 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited, a 90%-owned subsidiary of Album Investment and a share charge over 70% of the issued shares in certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited.

As at 31 December 2011, the borrowings of the Group were secured as follows:

(i) Approximately US$190.0 million from China Development Bank Corporation was secured by a share charge over the entire share capital of Album Investment, a share charge over 70% of the issued shares in certain wholly owned subsidiaries of Album Investment and a share charge over 70% of issued shares in MMG Laos Holdings Limited.

29. TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	2012		2011	
	US$ million	%	US$ million	%
Trade payables				
Less than 6 months	275.2	100.0%	188.1	100.0%
	275.2	100.0%	188.1	100.0%
Other payables and accruals	24.2		17.6	
	299.4		**205.7**	

30. RETIREMENT SCHEMES

The Group provides retirement benefits to all Hong Kong eligible employees under the Mandatory Provident Fund (MPF Scheme). Under the MPF Scheme, the Group and its employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries as defined under the Mandatory Provident Fund legislation. Contributions of both the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,000 per month and thereafter contributions are voluntary and are not subject to any limitation. The MPF Scheme is administered by an independent trustee and its assets are held separately from those of the Group. The Group provides a superannuation contribution for all Australian-based employees to their nominated superannuation fund. This contribution is to provide benefits for employees and their dependants in retirement, and for relevant employees, disabilities or death. In accordance with the applicable regulation in Australia, the Group is required to contribute at a minimum rate of 9% of ordinary time earnings (OTE) of the Australian-based employee.

Total contributions made for the year ended 31 December 2012 amounted to approximately US$21.8 million (2011: US$16.7 million).

31. PROVISIONS

(a) Provision – The Group

	2012 US$ million	2011 US$ million
Non-current		
Employee benefits	22.1	7.8
Workers' compensation	5.7	5.0
Mine rehabilitation, restoration and dismantling(b)	577.4	471.8
Other provisions(c)	13.8	6.5
Total non-current provisions	**619.0**	**491.1**
Current		
Employee benefits	56.2	53.2
Workers' compensation	0.2	1.4
Other provisions(c)	0.3	1.9
Total current provisions	**56.7**	**56.5**
Aggregate		
Employee benefits	78.3	61.0
Workers' compensation	5.9	6.4
Mine rehabilitation, restoration and dismantling(b)	577.4	471.8
Other provisions(c)	14.1	8.4
Total provisions	**675.7**	**547.6**

(b) Mine rehabilitation, restoration and dismantling

	2012 US$ million	2011 US$ million
Opening carrying amount	471.8	310.4
Additional provisions recognised	48.9	161.4
Acquisition of subsidiaries	32.1	–
Transfer to liability held for sales	(5.3)	–
Reversal of provisions	(5.8)	(28.8)
Payments made	(2.3)	0.4
Unwind of discount	39.0	20.8
Exchange rate differences	(1.0)	7.6
Closing carrying amount	**577.4**	**471.8**

(c) Other provisions

	2012 US$ million	2011 US$ million
Opening carrying amount	8.4	6.0
Net movement in provisions	5.7	2.4
Closing carrying amount	**14.1**	**8.4**

(d) Provisions – The Company

	2012 US$ million	2011 US$ million
Non-current		
Employee benefits	3.2	3.2
Total non-current provisions	**3.2**	**3.2**
Current		
Employee benefits	0.9	1.3
Total current provisions	**0.9**	**1.3**
Aggregate		
Employee benefits	4.1	4.5
Total provisions	**4.1**	**4.5**

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit for the year to net cash generated from operations is as follows:

	2012 US$ million	2011 US$ million
Profit for the year from continuing operations	217.5	483.6
Adjustments for:		
Finance income	(4.5)	(2.4)
Finance costs	92.2	48.6
Depreciation and amortisation expense	447.6	308.5
Loss/(gain) on disposal of property, plant and equipment and investment properties	1.5	(0.6)
Gain on disposal of available-for-sale financial assets	–	(152.1)
Gain on disposal of investment	–	(17.3)
(Reversal of impairment)/impairment of property, plant and equipment	(24.3)	33.5
Impairment of short-term investment	–	0.8
Loss on financial assets at fair value through profit or loss	14.1	–
Write-down of inventory to net realisable value	21.9	–
Exchange gains – net	(3.3)	(3.1)
Write-back of business acquisition expenses	–	(63.8)
Changes in working capital (excluding the effects of discontinued operations and exchange differences on consolidation):		
Inventories	10.8	(35.2)
Trade and other receivables	(91.7)	20.7
Trade payables and accruals, receipts in advance and other payables	(1.0)	62.6
Tax assets and tax liabilities	(25.5)	15.9
Net cash generated from operations	**655.3**	**699.7**

33. COMMITMENTS

(a) Operating leases

The Group leases various warehouses, offices and factory premises under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2012 US$ million	2011 US$ million
Not later than one year	10.5	4.5
Later than one year but not later than five years	33.4	17.0
Later than five years	9.0	7.1
	52.9	**28.6**

(b) Capital and non-capital commitments

Commitments for acquisition of capital and non-capital commitments contracted for at the reporting date but not recognised as liabilities, are set out in the table below:

	2012 US$ million	2011 US$ million
Not later than one year	125.6	63.8
Later than one year but not later than five years	171.6	4.1
Later than five years	79.3	–
	376.5	**67.9**

The Group had the following capital commitments not provided for at the reporting date:

	2012 US$ million	2011 US$ million
Property, plant and equipment		
Contracted but not provided for	69.4	44.0
Authorised but not contracted for	71.0	156.2
	140.4	**200.2**

34. CONTINGENT LIABILITIES

Legal proceedings

The Company and its subsidiaries are defendants from time to time in legal proceedings arising from the conduct of their businesses. The Group does not consider that the outcome of any of these proceedings ongoing at balance date, either individually or in aggregate, is likely to have a material effect on its financial position. Where appropriate, provisions have been made.

Bank guarantees

Certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company primarily associated with the terms of mining leases or exploration licences. At the end of the year, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees amount to US$260.0 million (2011: US$91.5 million). Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences (refer to Note 31).

35. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by CMN through Top Create Resources Limited, a company incorporated in the British Virgin Islands, which owns 24.28% of the Company's shares, and Album Enterprises, which owns 47.28% of the Company's shares, both of which are wholly owned subsidiaries of CMN. The remaining 28.44% of the Company's shares are widely held. The directors of the Company consider the ultimate holding company is CMC, a company incorporated in the PRC.

CMC itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of productive assets in the PRC. In accordance with HKAS 24 *Related Party Disclosures* issued by the Hong Kong Institute of Certified Public Accountants, other state-owned enterprises and their subsidiaries (other than subsidiaries of CMC), directly or indirectly controlled by the PRC government, are also defined as related parties of the Group. On that basis, related parties include CMC and its related companies, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC government, the Company's jointly controlled entities and associates, and key management personnel of the Company and CMC as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed. In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Transactions with jointly controlled entities and associates of the Group

	2012 US$ million	2011 US$ million
Expenses		
Purchases of non-ferrous metals from a jointly controlled entity(i)	–	223.9

(i) The purchases were made with Guangxi Huayin Aluminium Company Limited, a 33%-owned jointly controlled entity of the Group before disposal of the discontinued operations in December 2011.

(b) Transactions with CMC and its group companies (other than those within the Group)

	2012 US$ million	2011 US$ million
Revenue		
Sales of non-ferrous metals to related companies	116.5	182.2
Expenses		
Purchases from related companies	6.8	79.2
Others	–	0.5
	6.8	79.7
Finance costs – net interest		
Interest paid to related companies	7.8	5.2

(c) Transactions and balances with other state-owned enterprises

During the year ended 31 December 2012, the Group's transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and the related receivables and payables balances. In addition, a portion of fixed deposits, cash and cash equivalents and borrowings as of 31 December 2012 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government including Bank of China Limited, China Development Bank Corporation and Industrial and Commercial Bank of China Limited.

The transactions of revenues and expenses in nature conducted with government-related entities were based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

(d) Key management compensation

Key management includes directors (executive and non-executive) and members of the Executive Committee. The key management personnel remuneration for the Group was as follows:

	2012 US$ million	2011 US$ million
Salaries and other short-term employee benefits	11.9	12.4
Other long-term benefits	3.0	4.0
Post-employment benefits	0.1	0.1
Termination benefits	–	0.5
	15.0	**17.0**

(e) Year-end balances

	2012 US$ million	2011 US$ million
Amount payable to related parties		
Loan from Album Enterprises(i)	300.0	–
	300.0	–
Amount receivable from related parties		
Loan to Album Enterprises(ii)	100.0	95.0
Trade receivables – receivable from CMN	19.2	29.9
Other receivables – consideration receivable from CMN	–	28.5
	119.2	**153.4**

(i) The loan from Album Enterprises represents the amount drawn by the Company on 15 February 2012 pursuant to a Facility Agreement dated 30 September 2011 between the Company and Album Enterprises. In accordance with the Facility Agreement, a loan facility of up to US$1,000.0 million was made available to the Company on an uncommitted basis, for a period of one year commencing on the date of the loan. The term of the loan was extended on 17 December 2012 for a period of one year to 14 February 2014. Interest accrues on the outstanding balance drawn under the Facility Agreement at Libor plus 2.2% per annum and is repayable at the end of the term, or on demand.

(ii) The loan to Album Enterprises (US$100.0 million) represents the amount drawn by Album Enterprises on 17 December 2012. Interest accrued on the outstanding balance drawn under the Facility Agreement at Libor plus 1.5% per annum and was repaid on 11 January 2013. The loan to Album Enterprises (US$95.0 million) represents the amount drawn by Album Enterprises on 23 December 2011. Interest accrued on the outstanding balance (US$95.0 million) drawn under the Facility Agreement at Libor plus 1.5% per annum and was repaid on 15 February 2012. Both loans to Album Enterprises described above were made pursuant to a Facility Agreement, dated 23 December 2011, between MMG Finance Limited, a wholly owned subsidiary of the Company, and Album Enterprises. Under the Facility Agreement, a loan facility of US$100.0 million was made available to Album Enterprises on an uncommitted basis, for a period of one year commencing on the date of the Facility Agreement. The Facility Agreement was extended on 17 December 2012 for a period of one year.

36. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During the second half of 2012, the assets and liabilities of Allegiance Mining Pty Ltd (Avebury), a wholly owned subsidiary of the Group, have been classified as held for sale.

(a) Non-current assets held for sales

	2012 US$ million	2011 US$ million
Assets of disposal group classified as held for sale		
Property, plant and equipment	25.2	–
Total	**25.2**	**–**

	2012 US$ million	2011 US$ million
Liabilities of disposal group classified as held for sale		
Trade and other payables	1.3	1.3
Mine rehabilitation, restoration and dismantling provisions	5.3	–
Total	**6.6**	**1.3**

	2012 US$ million	2011 US$ million
Cumulative income or expenses recognised in income statement relating to disposal group classified as held for sale		
Reversal of impairment expense	24.3	–
Total	**24.3**	**–**

(b) Discontinued operations

On 28 March 2011, the Board of the Company approved a program of strategic divestments of assets that were assessed as not being core to the Company's future. These assets include the trading, fabrication and other operations (the Disposal Group).

On 15 September 2011, the directors of the Company announced that the Company had entered into the Master Sale and Implementation Agreement with a controlling Shareholder of the Company, CMN, to sell its entire interest in four entities (Disposal Entities) out of the Disposal Group for an aggregate consideration of US$726.8 million (Disposal). The Disposal Entities represent majority components of the Disposal Group. The Disposal was approved by the independent Shareholders of the Company on 28 October 2011 and completed in December 2011. During 2012, final sale proceeds were received on disposal of remaining discontinued entities.

Results from discontinued operations

The results of the Disposal Group are presented in these consolidated financial statements as discontinued operations.

	2011 US$ million
Revenue	2,377.3
Expenses	(2,323.7)
Profit before net financing costs and income tax	53.6
Finance income	3.3
Finance costs	(9.2)
Profit before income tax	47.7
Income tax expense	(10.2)
Profit after income tax	37.5
Profits on disposal	53.4
Profit from discontinued operations	**90.9**
Profit from discontinued operations attributable to:	
Equity holders of the Company	86.8
Non-controlling interests	4.1
	90.9

37. EVENTS AFTER BALANCE SHEET DATE

There have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

FIVE-YEAR FINANCIAL SUMMARY

US$ million	2012	2011	2010	2009	2008
Results – the Group					
Continuing operations					
Revenue	2,499.4	2,228.3	1,919.9	1,649.7	1,083.4
EBIT	**405.6**	**755.3**	**521.3**	**246.6**	**22.2**
Finance income	4.5	2.4	4.3	4.2	4.8
Finance costs	(92.2)	(48.6)	(42.8)	(30.5)	(7.9)
Profit before income tax	**317.9**	**709.1**	**482.8**	**220.3**	**19.1**
Income tax (expense)/benefit	(100.4)	(225.5)	(126.6)	4.5	(0.4)
Profit for the year from continuing operations	**217.5**	**483.6**	**356.2**	**224.8**	**18.7**
Discontinued operations					
Profit for the year from discontinued operations	–	90.9	74.2	–	–
Profit for the year	**217.5**	**574.5**	**430.4**	**224.8**	**18.7**
Attributable to:					
Equity holders of the Company	192.5	540.9	409.4	215.8	17.7
Non-controlling interests	25.0	33.6	21.0	9.0	1.0
	217.5	**574.5**	**430.4**	**224.8**	**18.7**

The results of discontinued operations prior to 2010 have not been restated or reclassified.

A summary of the Group results that relate to current operations involving the exploration for, and development of mining projects, is presented below.

US$ million	2012	2011	2010	2009(i)	2008
Results – current operations					
EBIT	405.6	755.3	521.3	191.9	N/A
Significant non-recurring items	–	(215.9)	86.4	–	N/A
Underlying EBIT(ii)	**405.6**	**539.4**	**607.7**	**191.9**	**N/A**

(i) The results of Album Resources are included from 8 April 2009 (date of incorporation) to 31 December 2009.
(ii) Underlying EBIT represents EBIT adjusted for significant non-recurring items (before tax).

US$ million	2012	2011	2010	2009	2008
Assets and liabilities – the Group					
Property, plant and equipment	3,344.2	1,754.9	1,673.5	1,602.5	83.0
Investments accounted for using the equity method	0.1	0.1	227.3	171.5	155.7
Intangible assets	230.9	–	132.0	140.0	148.0
Inventories	354.4	311.5	388.2	324.0	89.0
Trade and other receivables	254.1	118.3	360.4	283.7	168.5
Loan to related party	100.0	95.0	–	–	–
Cash and cash equivalents	102.1	1,096.5	398.2	471.1	239.5
Other financial assets	146.1	4.4	183.5	33.0	45.2
Other assets	0.8	1.8	1.5	0.9	23.6
Current income tax assets	29.0	7.4	3.5	0.9	2.2
Deferred income tax assets	72.3	63.6	98.8	70.6	7.7
Assets of disposal group classified as held for sale	25.2	–	–	–	–
Total assets	**4,659.2**	**3,453.5**	**3,466.9**	**3,098.2**	**962.4**
Capital and reserves attributable to equity holders of the Company	1,630.3	1,435.4	477.0	1,144.4	617.1
Non-controlling interests	55.5	59.0	56.4	67.7	24.8
Total equity	**1,685.8**	**1,494.4**	**533.4**	**1,212.1**	**641.9**
Borrowings	1,635.9	1,081.1	1,227.5	1,231.4	108.8
Trade and other payables	299.4	205.7	368.5	223.2	119.6
Advances from banks for discounted bills	–	–	43.6	25.1	11.2
Receipts in advance	–	–	71.0	62.1	44.4
Loan from a related party	–	–	694.2	–	–
Other liabilities	–	–	8.8	15.9	35.9
Current income tax liabilities	120.8	117.9	129.1	60.7	0.2
Provisions	675.7	547.6	370.7	266.9	–
Deferred income tax liabilities	235.0	5.5	20.1	0.8	0.4
Liabilities of disposal group classified as held for sale	6.6	1.3	–	–	–
Total liabilities	**2,973.4**	**1,959.1**	**2,933.5**	**1,886.1**	**320.5**
Total equity and liabilities	**4,659.2**	**3,453.5**	**3,466.9**	**3,098.2**	**962.4**
Net current assets	**55.4**	**429.3**	**557.2**	**623.5**	**258.1**
Total assets less current liabilities	**3,805.1**	**2,285.5**	**2,714.7**	**2,632.5**	**715.9**

The results of discontinued operations prior to 2010 have not been restated or reclassified.