



WE MINE FOR
PROGRESS



ANNUAL REPORT

2017

HKEX: 1208 | ASX: MMG

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on Mining & Metals

**MINING WITH
PRINCIPLES**

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Cover: Process Operator pictured at the Dugald River processing plant.
Above: Mining Truck Operator pictured at the Las Bambas mine.

WE MINE FOR PROGRESS

Our vision is to build the world's most respected diversified base metals company.

We mine to build wealth through the development of our people; the investments we make in improving local capability; and the value we deliver to our shareholders.

A long-term outlook, our pride in mining, our commitment to international standards and our respect for people, land and culture underpin our success.



CHAIRMAN'S REVIEW



Dear Shareholders,

I would like to extend my heartfelt thanks to you all for your long-term commitment and support.

On behalf of the Board, I present the Company's 2017 Annual Report.

Safety is our core value at MMG. In 2017, the total recordable injury frequency (TRIF) saw significant improvement with a year-on-year decrease of 38%. Although we have made every effort to eliminate workplace casualties, it was unfortunate that Mr Hilario Castro, an employee at our Las Bambas operation in Peru, lost his life after the haulage truck he was driving left the road near the Ferrobamba pit. We feel extreme sorrow about the incident and extend our heartfelt condolences to Mr Castro's family. Meanwhile, the Company has commenced an investigation into the incident and is taking appropriate measures for improvement in order to continuously enhance the Company's level of safety management. In 2018, we will continue to place the safety and health of our employees first, striving to create zero-harm in the workplace.

In 2017, the global economy continued to recover and the mining market remained stable. The mining industry continued to experience structural adjustments, optimisation and upgrades; and commodity prices rose and industry profits improved. Benefiting from the market recovery and the Company's planning against adverse conditions, MMG performed well in 2017 with revenue of US\$4,143.2 million, representing a year-on-year increase of 66%, and Net Profit After Tax of US\$348.4 million, including US\$147.1 million attributable to equity holders of the Company, a US\$299.8 million improvement on 2016.

In 2017, production at the Company's operations performed strongly, supported by a full year of commercial production at Las Bambas and the commencement of operations at Dugald River. MMG produced 598,196 tonnes of copper in the year - a record

for the Company - and produced 86,595 tonnes of zinc, representing an increase of 7% on 2016. With the realisation of commercial production at the Dugald River zinc mine in 2018, the Company's overall zinc profile will increase substantially, reclaiming the Company's position as one of the world's major zinc producers. After achieving steady growth in production over the last six consecutive years, MMG plans to produce 560,000 to 590,000 tonnes of copper and 190,000 to 220,000 tonnes of zinc in 2018, and we expect the growth momentum to continue.

MMG has actively maintained a stable cash flow and worked hard to reduce debt levels, via initiatives that include the voluntary pre-payment of US\$1 billion on the Las Bambas project debt, the US\$338 million redemption of Convertible Redeemable Preference Shares and the renegotiated terms of the US\$2,262 million shareholder loan. MMG's asset portfolio also underwent significant change in 2017, with the Company selling several assets to further optimise its asset portfolio and focus on the Company's strategic development.

We have continued to improve corporate governance and maintained prudent management practices. Since February 2017 when I took the position of Chairman of the Board and Mr Jerry (Jian) Jiao became Chief Executive Officer, the Company has implemented a series of cost and efficiency reviews at Group Office and at all its operations. Through adjusting the structure of the Group Office functional departments, improving operational efficiencies, and focusing on existing assets to enhance resource and reserves, the Company's core assets continued to rise in value. In addition, the Company has two newly appointed Executive General Managers who will be responsible for enhancing the Company's strategy in our key regions, the Americas, Africa, Australia and Asia.

China Minmetals Corporation Limited (CMC), the major shareholder of the



Above: Mr Guo Wenqing and Mr Jerry Jiao officially open the Dugald River zinc mine in north-west Queensland.

Company, achieved revenue of RMB 500 billion and a total profit of RMB 13 billion in 2017, both reaching a record high and surpassing CMC's strategic objectives. Its Fortune Global 500 ranking jumped sharply – and now ranks as the number one in the metals industry, reaffirming CMC as China's most significant metals and mining enterprise. On that basis, CMC will ramp up the building of a world-class metals and minerals conglomerate with global competitiveness. As the flagship platform for the development of CMC's overseas resources, MMG will play an important role in assisting CMC achieve its objectives. The major shareholder will continue to support the growth of MMG.

In 2018, with the global economy continuing to trend upwards, China will enjoy broader space for its economic development, the demand for metals will continue to grow while supply will remain limited for some time, and commodities will enter a new round of steady development. We will grasp new opportunities and strive to achieve new growth. The Company will continue to optimise its asset portfolio and consistently tap into the value of its existing assets, maintaining the smooth operation of its mines such as Las Bambas, and actively working towards commercial production at Dugald River. At the same time, the Company will actively seek new growth opportunities with a focus towards the resource-rich

regions of Latin America and Africa. While continuing to focus on copper and zinc, the Company will actively assess other strategic commodity opportunities.

CMC is committed in building an international metals and mining company that is number one in China, and first class in the world. The Board has full confidence in MMG's development and will continue to support the Company to achieve its long-term objective of becoming one of the world's top miners. MMG will continue to create greater value for our investors, continue to maintain our good relationships with communities and governments, and be transparent and trustworthy partners with all our stakeholders.

I thank our shareholders, our communities and our business partners for your great support and I express my sincere appreciation for the invaluable contribution made by all our employees.

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GUO Wenqing
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



Dear Shareholders,

Throughout my first year as CEO, MMG has focused on establishing Las Bambas as one of the world's largest copper mines and on delivering our latest development project, Dugald River. We have also focused on reducing gearing, driving efficiencies and simplifying our business.

Key to this has been listening and learning from our people and our external stakeholders.

Over the last nine years, I believe we have delivered on our promises – we have done so safely, while meeting targets, delivering on production and carefully managing costs.

We now own and operate a copper and zinc portfolio based in some of the world's most exciting mining regions.

And we continue to contribute to the development of our communities, consistent with our long-term outlook and our belief that we mine for progress.

We have developed a strong foundation – we must now strive to deliver greater value for all of our stakeholders.

SAFETY

Safety is a key element of our culture – it's our first value and our highest operating priority.

While we have made significant progress in reducing our total recordable injury frequency (TRIF), tragically in 2017 a colleague lost his life in an accident at Las Bambas.

Mr Hilario Castro was fatally injured after the haul truck he was driving left the road near the Ferrobamba pit in October. We extend our deepest sympathies and heartfelt condolences to Mr Castro's family, friends and all those who knew and miss him.

This accident along with all safety related incidents serve as a reminder that we must continue to hold safety above all other priorities.

This tragic event overshadowed a year in which we saw strong reductions in our injury rates across the organisation. Our operations recorded a TRIF of 1.17 for the full year, which represents a 38% reduction on the full year 2016 TRIF of 1.90.

This result demonstrates we are moving in the right direction; however, we must continue to focus on implementing our fatal risk controls and imbedding leadership and practices that create a safe, injury-free workplace.

VOLUME

2017 was another milestone year for the Company.

MMG operations produced 598,196 tonnes of copper in 2017, a record for the company.

This success was primarily due to Las Bambas, which delivered 453,749 tonnes of copper in copper concentrate in its first full year of commercial production.

Following a world-class project delivery and ramp up, Las Bambas is now firmly established as one of the world's top 10 copper mines, and we remain on track to meet our target that will see Las Bambas deliver over two million tonnes of copper in its first five years of operation.

Las Bambas is one of the lowest cost copper mines of this scale in the world and remains our most highly prospective growth opportunity. While the site's ramp up has been an outstanding success, our focus now is on optimising the operation, increasing efficiencies and reducing costs so we can realise and maximise the opportunity.

In Australia, zinc production commenced at Dugald River, with 12,412 tonnes of zinc in zinc concentrate produced as part of commissioning activities.

The successful initial commissioning of Dugald River - MMG's first greenfield project - has been a remarkable effort, and we remain on track to deliver this project under budget and ahead of schedule.

Dugald River will ramp up to nameplate capacity rates of 170,000 tonnes of zinc in zinc concentrate per annum over coming months and will be positioned as one of the world's top 10 zinc mines when operational. The asset comes online at the ideal time of tightening zinc supply and higher prices.

In total, MMG produced 86,595 tonnes of zinc in 2017, an increase of 7% on 2016.

The outlook for 2018 remains positive with continued strong copper production and improving zinc production as Dugald River ramps up toward nameplate capacity. We expect to produce 560,000 to 590,000 tonnes of copper and 190,000 to 220,000 tonnes of zinc in 2018.

This year in review is MMG's sixth consecutive year of production growth, delivering average copper equivalent production growth of 15% per year since 2011.

VALUE

MMG delivered a significant improvement in cash flow and profitability in 2017 with operating cash flow increasing by 228% to US\$2,369.8 million and EBITDA increasing by 133% to US\$2,210.0 million. This was driven by the increase in copper sales volumes following a full year of commercial production at Las Bambas and higher realised prices across all of our key commodities.

Base metal prices had a strong year with average prices for 2017 well above 2016. During the year the LME cash copper price traded at levels not seen for more than three years, while the zinc price reached 10 year highs.

In 2017 we continued with a number of cost reduction and business improvement programs at our operations and corporate offices, which are expected to deliver annualised pre-tax benefits of approximately US\$150 million. We will continue to focus on improving our asset utilisation and maximising efficiencies throughout MMG.

We also remain committed to reducing debt as has been demonstrated by the pre-payment of US\$1 billion of principal under the Las Bambas Project Facility, which will result in significant annual interest savings.

These pre-payments highlight the strong cash generating ability of the Company.

TRANSFORMATION

We have continued to assess, manage and simplify our asset portfolio.

In 2017, we saw a substantial reduction of our portfolio in Australia with the sale of the Golden Grove mine to EMR Capital and the agreement with Century Bull (now New Century Resources) for the sale of the Century mine and associated infrastructure. In July, we finalised the sale of the Avebury nickel mine in Tasmania, which has been on care and maintenance since 2009 to Dundas Mining.

MMG is also in the process of conducting an expression of interest process for our Sepon asset and currently has a shortlist of interested parties. An outcome is expected in the first half of 2018.

These strategic decisions will help position MMG for future growth.

OUR PEOPLE

I was pleased to announce the appointment of two new Executive Committee members this year. Mark Davis, Executive General Manager Operations – Africa, Australia and Asia and Suresh Vadnagra, Executive General Manager Operations – Americas.

We must demonstrate we can nurture and develop our next generation of leaders from within our company and recognise and reward the outstanding talent in our business.



Above: Mr Jerry Jiao at the Kinsevere mine in the DRC.

Right: Mr Jerry Jiao at the Rosebery mine in Tasmania, Australia.



In Mark and Suresh we have two outstanding executives with the ability to guide our global operations, and establish a clear regional platform for growth.

The new roles replace the former Chief Operating Officer position held by Marcelo Bastos before his departure in August 2017.

OUTLOOK

Our vision and objective have not changed – we continue to work towards being valued as one of the world's top mid-tier miners by 2020 and, in the longer term, as one of the world's top miners.

The foundation has been laid to deliver on that. We have established ourselves in South America, Africa and Australia – and we have done so deliberately. We have delivered Las Bambas and successfully completed Dugald River – both world-class projects. At the same time we have simplified and improved the quality of our asset portfolio.

However, we remain very concerned around changes to the Mining Code in the Democratic Republic of Congo (DRC) and the potential serious impact they pose to our Kinsevere mine and future investment in the region. MMG considers the DRC an attractive region for future growth and therefore we will continue to work with the Congolese government to better understand and influence the application of these new measures.

We are committed to enhancing the value of our core assets through containing costs, cash generation, continually improving productivity, and expanding our resource base. We have strengthened the balance sheet and simplified our capital structure, enabling the Company to step into the next phase of disciplined and sustainable growth.

We will maintain our dedicated focus on copper and zinc, and our belief in the long-term fundamentals of both commodities. At the same time, we will continue to assess other strategically attractive commodities in our key regions. This is matched by support from our major shareholder CMC, which enables us to take a long-term approach to investment.

On behalf of the MMG management team, I would like to thank our Shareholders, our communities, our contractors and dedicated employees for their ongoing support and belief in this business throughout 2017, and I look forward to another exciting year in 2018.

Jerry (Jian) JIAO
Chief Executive Officer

BOARD OF DIRECTORS



Mr GUO Wenqing
Chairman



Mr Jerry (Jian) JIAO
Chief Executive Officer



Mr XU Jiqing
Executive Director



Mr GAO Xiaoyu
Non-executive Director



Mr ZHANG Shuqiang
Non-executive Director



Dr Peter CASSIDY
Independent
Non-executive Director



**Mr LEUNG
Cheuk Yan**
Independent
Non-executive Director



**Ms Jennifer
SEABROOK**
Independent
Non-executive Director



**Professor PEI
Ker Wei**
Independent
Non-executive Director

EXECUTIVE COMMITTEE



Mr Jerry (Jian) JIAO
Chief Executive Officer



Mr Ross CARROLL
Chief Financial Officer



Mr XU Jiqing
Executive General
Manager – Marketing
and Risk



Mr Greg TRAVERS
Executive General
Manager – Business
Support



Mr Troy HEY
Executive General
Manager – Stakeholder
Relations



Mr Mark DAVIS
Executive General
Manager Operations
– Africa, Australia
and Asia



**Mr Suresh
VADNAGRA**
Executive General
Manager Operations
– Americas

MINERAL RESOURCES AND ORE RESERVES

EXECUTIVE SUMMARY

Mineral Resources and Ore Reserves for MMG have been estimated as at 30 June 2017, and are reported in accordance with the guidelines in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code) and Chapter 18 of the Listing Rules. Mineral Resources and Ore Reserves tables are provided on pages 10 to 18, which include the 30 June 2017 and 30 June 2016 estimates for comparison. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources that convert to Ore Reserves. All supporting data is provided within the Technical Appendix, available on the MMG website.

Mineral Resources and Ore Reserves information in this statement has been compiled by Competent Persons (as defined by the 2012 JORC Code). Each Competent Person consents to the inclusion of the information in this report that they have provided in the form and context in which it appears. Competent Persons are listed on page 15.

MMG has established processes and structures for the governance of Mineral Resources and Ore Reserves estimation and reporting. MMG has a Mineral Resources and Ore Reserves Committee that regularly convenes to assist the MMG Governance and Nomination Committee and the Board of Directors with respect to the reporting practices of the Company in relation to Mineral Resources and Ore Reserves, and the quality and integrity of these reports of the Group.

Key changes to the Mineral Resources (contained metal) since the 30 June 2016 estimate have been mostly related to depletion together with lower price assumptions which have impacted Las Bambas and resulted in a net decrease in contained copper metal. The divestment of Golden Grove has also contributed to a decrease in the company's copper metal Mineral Resources. The contained zinc metal in the Mineral Resources has decreased almost entirely due to the divestment of Golden Grove. The sale of the Avebury asset in Tasmania has resulted in the removal of nickel from the Mineral Resources statement.

The MMG Ore Reserves (contained metal) have increased since the 30 June 2016 statement for zinc and lead principally due to increases at Dugald River and Rosebery. Decreases in Ore Reserves (contained metal) for copper are the result of depletion¹ at Las Bambas, Sepon and Kinsevere combined with the divestment of Golden Grove. Decreases of Indicated Mineral Resources at Sepon have resulted in a reduction of available material for Ore Reserves conversion.

Total tonnes of Mineral Resources and Ore Reserves have decreased with depletion and divestment. In addition, Mineral Resources have also decreased due to copper price assumptions. Las Bambas Mineral Resources and Ore Reserves have decreased by 250Mt and 0.5Mt respectively. Dugald River Mineral Resources and Ore Reserves tonnes have increased by 4Mt and 10Mt respectively. Sepon Mineral Resources and Ore Reserves have decreased by 2.3Mt and 5.5Mt respectively, while Kinsevere Mineral Resources have increased by 4.5Mt and Ore Reserves have decreased by 4.4Mt.

Page 16 provide further discussion of the Mineral Resources and Ore Reserves changes.

1. Depletion in this report refers to material treated by the mill and depleted from the Mineral Resources and Ore Reserves through mining.

MINERAL RESOURCES AND ORE RESERVES (CONTINUED)

MINERAL RESOURCES²

All data reported here is on a 100% asset basis, with MMG's attributable interest shown against each asset within brackets.

DEPOSIT	2017							2016						
	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
LAS BAMBAS (62.5%)														
Ferrobamba Oxide Copper														
Indicated	9.3	2.0						16.8	2.0					
Inferred	0.6	2.5						0.7	1.9					
Total	9.9	2.0						17.4	2.0					
Ferrobamba Primary Copper														
Measured	542	0.64			3.0	0.06	204	529	0.68			3.3	0.06	198
Indicated	546	0.60			2.8	0.05	211	527	0.59			2.7	0.05	191
Inferred	263	0.60			2.4	0.04	158	397	0.57			2.1	0.03	146
Total	1,351	0.62			2.8	0.05	198	1,453	0.62			2.7	0.05	181
Ferrobamba Total	1,361							1,471						
Chalcobamba Oxide Copper														
Indicated	6.1	1.5						6.5	1.5					
Inferred	0.7	1.5						0.9	1.5					
Total	6.8	1.5						7.3	1.5					
Chalcobamba Primary Copper														
Measured	85	0.37			1.1	0.01	148	94	0.40			1.2	0.01	148
Indicated	195	0.67			2.5	0.03	141	196	0.63			2.4	0.03	145
Inferred	36	0.52			1.8	0.02	141	48	0.47			1.6	0.02	131
Total	315	0.57			2.0	0.03	143	338	0.55			1.9	0.02	144
Chalcobamba Total	322							345						
Sulfobamba Primary Copper														
Indicated	85	0.67			4.7	0.02	170	103	0.60			4.1	0.02	162
Inferred	100	0.58			6.5	0.02	119	201	0.44			4.0	0.02	119
Total	184	0.62			5.7	0.02	142	304	0.50			4.0	0.02	133
Sulfobamba Total	184							304						
Oxide Copper Stockpile														
Indicated	5.5	1.0						3.4	0.9					
Total	5.5	1.0						3.4	0.9					
Primary Copper Stockpile														
Measured	0.2	0.85			4.5		148	0.37	0.7			3.1		214
Total	0.2	0.85			4.5		148	0.37	0.7			3.1		214
Las Bambas Total	1,873							2,124						

2. S.I. units used for metals of value; Cu=copper, Zn=zinc, Pb=lead, Ag=silver, Au=gold, Mo=molybdenum, Ni=nickel.

MINERAL RESOURCES

DEPOSIT	2017							2016						
	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
KINSEVERE (100%)														
Oxide Copper														
Measured	3.0	4.4						3.1	4.6					
Indicated	13.6	3.0						13.7	3.1					
Inferred	2.8	2.3						3.5	2.4					
Total	19.4	3.1						20.3	3.2					
Transition Mixed Copper Ore														
Measured	0.27	2.7						0.7	3.4					
Indicated	1.4	2.3						2.0	3.0					
Inferred	0.12	2.1						0.2	2.2					
Total	1.8	2.4						2.9	3.0					
Primary Copper														
Measured	0.40	2.5						0.4	3.1					
Indicated	23.8	2.2						18.5	2.6					
Inferred	2.2	1.7						2.2	2.0					
Total	26.4	2.2						21.2	2.5					
Copper Stockpiles														
Measured														
Indicated	7.9	2.5						6.8	2.4					
Total	7.9	2.5						6.8	2.4					
Kinsevere Total	55.5							51.2						
SEPON (90%)														
Oxide Gold														
Measured														
Indicated	1.5					3.1		1.6					3.0	
Inferred	0.21					2.3		0.4					2.1	
Total	1.7					3.0		2.0					2.8	
Partial Oxide Gold														
Measured														
Indicated	1.1					4.3		1.3					4.2	
Inferred	0.05					3.2		0.1					2.9	
Total	1.1					4.3		1.3					4.1	
Primary Gold														
Indicated	7.1					3.9		7.8					4.0	
Inferred	0.11					3.0		0.1					3.5	
Total	7.2					3.9		7.9					4.0	
Gold Stockpiles														
Indicated	0.9					1.7								
Inferred														
Total	0.9					1.7								
Supergene Copper														
Indicated	5.5	4.7						12.9	3.5					
Inferred	1.5	3.3						0.3	3.5					
Total	7.0	4.4						13.3	3.5					

MINERAL RESOURCES AND ORE RESERVES (CONTINUED)

MINERAL RESOURCES

DEPOSIT	2017							2016						
	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
SEPON (90%) continued														
Primary Copper														
Indicated	7.1	1.0						5.0	1.2					
Inferred	5.2	1.2						3.3	1.1					
Total	12.2	1.1						8.4	1.2					
Copper Stockpiles														
Measured														
Indicated	6.1	1.4						5.7	1.6					
Total	6.1	1.4						5.7	1.6					
Sepon Total	36.3							38.6						
DUGALD RIVER (100%)														
Primary Zinc														
Measured	8.1		13.1	2.4	70			5.5		14.2	2.0	64		
Indicated	28.9		12.3	2.3	40			27.1		12.9	2.2	50		
Inferred	27.8		11.4	1.9	10			28.5		12.0	1.7	13		
Total	64.8		12.0	2.2	31			61.1		12.6	1.9	34		
Primary Copper														
Inferred	4.4	1.8				0.2		4.4	1.8				0.2	
Total	4.4	1.8				0.2		4.4	1.8				0.2	
Zinc Stockpiles														
Measured	0.23		10.8	1.7	49									
Dugald River Total	69.4							66.0						
ROSEBERY (100%)														
Rosebery														
Measured	6.0	0.26	9.3	3.3	118	1.4		5.4	0.25	8.1	2.9	107	1.3	
Indicated	6.2	0.26	7.9	2.6	112	1.3		5.7	0.25	7.6	2.6	102	1.2	
Inferred	6.5	0.30	7.4	2.7	90	1.4		11.2	0.26	8.0	2.7	95	1.4	
Total	18.6	0.27	8.2	2.9	106	1.4		22.4	0.26	7.9	2.7	100	1.3	
Rosebery Total	18.6							22.4						
HIGH LAKE (100%)														
Measured														
Indicated	7.9	3.0	3.5	0.3	83	1.3		7.9	3.0	3.5	0.3	83	1.3	
Inferred	6.0	1.8	4.3	0.4	84	1.3		6.0	1.8	4.3	0.4	84	1.3	
Total	14.0	2.5	3.8	0.4	84	1.3		14.0	2.5	3.8	0.4	84	1.3	
IZOK LAKE (100%)														
Measured														
Indicated	13.5	2.4	13.3	1.4	73	0.2		13.5	2.4	13.3	1.4	73	0.2	
Inferred	1.2	1.5	10.5	1.3	73	0.2		1.2	1.5	10.5	1.3	73	0.2	
Total	14.6	2.3	13.1	1.4	73	0.2		14.6	2.3	13.1	1.4	73	0.2	

ORE RESERVES³

All data reported here is on a 100% asset basis, with MMG's attributable interest shown against each asset within brackets.

DEPOSIT	2017							2016						
	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
LAS BAMBAS (62.5%)														
Ferrobamba Primary Copper														
Proved	497	0.68			3.2	0.06	206	492	0.71			3.4	0.07	201
Probable	326	0.71			3.6	0.06	207	340	0.71			3.5	0.06	202
Total	823	0.69			3.4	0.06	207	832	0.71			3.5	0.06	201
Chalcobamba Primary Copper														
Proved	59	0.53			1.8	0.02	141	53	0.51			1.7	0.02	151
Probable	143	0.72			2.7	0.03	132	136	0.75			2.8	0.03	135
Total	202	0.66			2.5	0.03	134	188	0.68			2.5	0.03	140
Sulfobamba Primary Copper														
Proved														
Probable	60	0.80			5.9	0.03	161	66	0.78			5.5	0.03	176
Total	60	0.80			5.9	0.03	161	66	0.78			5.5	0.03	176
Primary Copper Stockpile														
Proved	0.17	0.85			4.5		148	0.37	0.72			3.1		214
Total	0.17	0.85			4.5		148	0.37	0.72			3.1		214
Las Bambas Total	1,085							1,086						
KINSEVERE (100%)														
Oxide Copper														
Proved	2.6	4.5						2.9	4.5					
Probable	8.1	3.5						9.8	3.5					
Total	10.7	3.7						12.7	3.7					
Copper Stockpiles														
Proved														
Probable	2.5	3.6						4.9	2.2					
Total	2.5	3.6						4.9	2.2					
Kinsevere Total	13.2							17.6						

3. S.I. units used for metals of value; Cu=copper, Zn=zinc, Pb=lead, Ag=silver, Au=gold, Mo=molybdenum.

MINERAL RESOURCES AND ORE RESERVES (CONTINUED)

ORE RESERVES

DEPOSIT	2017							2016						
	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
SEPON (90%)														
Supergene Copper														
Probable	3.5	4.7						8.0	3.5					
Total	3.5	4.7						8.0	3.5					
Primary Copper														
Probable	0.35	1.1						2.3	0.84					
Total	0.35	1.1						2.3	0.84					
Copper Stockpiles														
Probable	5.6	1.4						4.6	1.7					
Total	5.6	1.4						4.6	1.7					
Sepon Total	9.4							14.9						
DUGALD RIVER (100%)														
Primary Zinc														
Proved	7.9		11.8	2.1	62			4.6		12.3	1.7	55		
Probable	24.9		11.9	2.2	39			17.8		12.1	2.0	48		
Total	32.8		11.9	2.2	44			22.5		12.2	2.0	50		
Dugald River Total	32.8							22.5						
ROSEBERY (100%)														
Proved	3.8	0.25	9.0	3.4	119	1.4		3.2	0.25	8.8	3.1	110	1.3	
Probable	1.8	0.21	7.6	3.0	131	1.3		2.2	0.22	7.5	3.0	118	1.3	
Total	5.6	0.24	8.6	3.3	123	1.4		5.4	0.24	8.3	3.0	113	1.3	
Rosebery Total	5.6							5.4						

COMPETENT PERSONS

DEPOSIT	ACCOUNTABILITY	COMPETENT PERSON	PROFESSIONAL MEMBERSHIP	EMPLOYER
MMG Mineral Resources and Ore Reserves Committee	Mineral Resources	Rex Berthelsen ⁴	FAusIMM(CP)	MMG
MMG Mineral Resources and Ore Reserves Committee	Ore Reserves	Nan Wang ⁴	MAusIMM(CP)	MMG
MMG Mineral Resources and Ore Reserves Committee	Metallurgy: Mineral Resources / Ore Reserves	Reinhardt Viljoen ⁴	MAusIMM	MMG
Las Bambas	Mineral Resources	Rex Berthelsen ⁴	FAusIMM(CP)	MMG
Las Bambas	Ore Reserves	Yao Wu ⁴	MAusIMM	MMG
Las Bambas	Metallurgy: Mineral Resources / Ore Reserves	Amy Lamb ⁴	MAusIMM	MMG
Sepon	Mineral Resources	Chevaun Gellie ⁴	MAusIMM	MMG
Sepon	Ore Reserves	Jodi Wright ⁴	MAusIMM(CP)	MMG
Sepon	Metallurgy: Mineral Resources / Ore Reserves	Kevin Rees	MAusIMM	MMG
Kinsevere	Mineral Resources	Douglas Corley ⁴	MAIG R.P.Geo.	MMG
Kinsevere	Ore Reserves	Jodi Wright ⁴	MAusIMM(CP)	MMG
Kinsevere	Metallurgy: Mineral Resources / Ore Reserves	Nigel Thiel ⁴	MAusIMM(CP)	MMG
Rosebery	Mineral Resources	Anna Lewin	MAusIMM(CP)	MMG
Rosebery	Ore Reserves	Karel Steyn ⁴	MAusIMM	MMG
Rosebery	Metallurgy: Mineral Resources / Ore Reserves	Kevin Rees	MAusIMM(CP)	MMG
Dugald River	Mineral Resources	Douglas Corley ⁴	MAIG R.P.Geo.	MMG
Dugald River	Ore Reserves	Karel Steyn ⁴	MAusIMM	MMG
Dugald River	Metallurgy: Mineral Resources / Ore Reserves	Nigel Thiel ⁴	MAusIMM(CP)	MMG
High Lake, Izok Lake	Mineral Resources	Allan Armitage	MAPEG ⁵ (P.Geo)	Formerly MMG

The information in this report that relates to 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 Professional Organisation (RPO) 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 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.

4. Participants in the MMG Long-Term Incentive Plans which may include Mineral Resources and Ore Reserves growth as a performance condition.

5. Member of the Association of Professional Engineers and Geoscientists of British Columbia.

MINERAL RESOURCES AND ORE RESERVES (CONTINUED)

SUMMARY OF SIGNIFICANT CHANGES

MINERAL RESOURCES

Mineral Resources as at 30 June 2017 have changed since the 30 June 2016 estimate for a number of reasons with the most significant changes outlined in this section.

Mineral Resources (contained metal) have increased for lead (3%) while a decrease has occurred for zinc (10%), copper (10%), gold (14%), silver (10%) and molybdenum (3%).

Variations to Mineral Resources (contained metal) on an individual site basis are discussed below:

Increases:

Increases to the Mineral Resources (contained metal) for lead (19%) and zinc (2%) at Dugald River are due to a significant update of the Mineral Resource model from a major drilling campaign completed since the last model. No depletion has occurred at Dugald River during the reporting period.

Decreases:

The decreases in Mineral Resources (contained metal) are due to:

- divestment⁶ of Golden Grove (copper, zinc, lead, silver, gold);
- divestment⁷ of Avebury (nickel);
- depletion, drilling and modelling at Sepon (copper 18%);
- depletion, lower metal price and higher cost assumptions at Las Bambas (copper 9%); and
- three factors at Rosebery (copper 11%, zinc 14%, lead 12%, silver 11% and gold 13%) – 80% of tonnes as a result of a determination that the Inferred material around remnant stopes in the upper mine area has no foreseeable prospects for eventual economic extraction and the remaining 20% as a result of depletion and cut-off grade increases.

ORE RESERVES

Ore Reserves as at 30 June 2017 (contained metal) have increased for zinc (28%), lead (41%), silver (2%) and molybdenum (1%) and decreased for copper (6%) and gold (11%).

Variations to Ore Reserves (contained metal) on an individual site basis are discussed below:

Increases:

- Dugald River Ore Reserves have increased (10.3Mt) resulting from conversion of Mineral Resources by infill drilling, modelling, and increased planned mill throughput. These changes have resulted in an increase in zinc (42%), lead (62%) and silver (30%) metal in Ore Reserves. No depletion has occurred at Dugald River in 2017.
- Rosebery Ore Reserves have increased (0.2Mt), more than replacing depletion due to drilling and Mineral Resources conversion. There is an increase of copper (5%), zinc (8%), lead (11%), silver (13%) and gold (14%) metal compared to 2016 Ore Reserves.

Decreases:

A net reduction in Ore Reserves (metal) for copper and gold due to:

- depletion at all producing operation;
- a further reduction at Sepon due to a decrease in Indicated Mineral Resources available for conversion, combined with depletion has resulted in a reduction of copper metal of 34%;
- a further reduction at Kinsevere due to removal of uneconomic stockpiles. This change combined with depletion has resulted in a 15% reduction of copper metal for the site;
- a further reduction at Las Bambas due to a small reduction (0.02% Cu) in copper grade; and
- divestment⁸ of Golden Grove accounts for almost all the reduction in gold metal (300koz).

6. Golden Grove divested Mineral Resources (metal) = 380kt copper, 1156 kt zinc, 89kt lead, 28Moz silver and 650koz gold.

7. Avebury divested Mineral Resource (metal) = 260kt nickel.

8. Golden Grove divested Ore Reserves (metal) = 82kt copper, 247 kt zinc, 32kt lead, 7.7Moz silver and 300koz gold.

KEY ASSUMPTIONS

PRICES AND EXCHANGE RATES

The following price and foreign exchange assumptions, set according to the relevant MMG Standard as at January 2017, have been applied to all Mineral Resources and Ore Reserves estimates. Price assumptions for all metals have changed from the 2016 Mineral Resources and Ore Reserves statement.

Table 1 : Price (real) and foreign exchange assumptions

	ORE RESERVES	MINERAL RESOURCES
Cu (US\$/lb)	2.96	3.40
Cu (US\$/lb) (Sepon only)	2.73	3.28
Zn (US\$/lb)	1.19	1.43
Pb (US\$/lb)	0.95	1.14
Au US\$/oz	1200	1400
Ag US\$/oz	17.5	20.4
Mo (US\$/lb)	8.3	9.5
USD:CAD	1.18	
AUD:USD	0.80	As per Ore Reserves
USD:PEN	3.10	

CUT-OFF GRADES

Mineral Resources and Ore Reserves cut-off values are shown in Table 2 and Table 3 respectively.

Table 2 : Mineral Resources cut-off grades

SITE	MINERALISATION	LIKELY MINING METHOD ⁹	CUT-OFF VALUE	COMMENTS
Las Bambas	Oxide Copper	OP	1% Cu	Cut-off is applied as a range that varies for each deposit and mineralised rock type at Las Bambas. <i>In-situ</i> copper Mineral Resources constrained within US\$3.40/lb Cu pit shell.
	Primary Copper	OP	0.16 – 0.5% Cu	
Sepon	Oxide Gold	OP	0.9 – 1.7 g/t Au	Approximate cut-off grades shown in this table. Variable cut-off grade based on a net value calculation which accounts for costs, recoveries and metal prices within US\$1,400/oz pit shells.
	Partial Oxide	OP	1.7 – 4.2 g/t Au	
	Primary Gold	OP	1.3 – 2.6 g/t Au	
	Supergene Copper – Carbonate	OP	1.4 – 1.6% Cu	Approximate cut-off grades shown in this table. Variable cut-off grade based on a net value calculation which accounts for costs, recoveries and metal prices within US\$3.28/lb pit shells.
	Supergene Copper – Chalcocite	OP	1.5 – 1.6 % Cu	
	Primary Copper	OP	0.5 – 0.6% Cu	
Kinsevere	Oxide Copper & Stockpiles	OP	0.6% ASCu ¹⁰	<i>In-situ</i> copper Mineral Resources constrained within a US\$3.40/lb Cu pit shell.
	Transition Mixed Copper	OP	1.1% TCu ¹¹	
	Primary Copper	OP	0.8% TCu ³	
Rosebery	Rosebery (Zn, Cu, Pb, Au, Ag)	UG	A\$166/t NSR ¹²	Remnant upper mine areas A\$179/t NSR ⁴
Dugald River	Primary Zinc (Zn, Pb, Ag)	UG	A\$134/t NSR ⁴	
	Primary Copper	UG	1%Cu	
High Lake	Cu, Zn, Pb, Ag, Au	OP	2.0% CuEq ¹³	CuEq ⁵ = Cu + (Zn×0.30) + (Pb×0.33) + (Au×0.56) + (Ag×0.01); based on Long-Term prices and metal recoveries at Au:75%, Ag:83%, Cu:89%, Pb:81% and Zn:93%.
High Lake	Cu, Zn, Pb, Ag, Au	UG	4.0% CuEq ⁵	CuEq ⁵ = Cu + (Zn×0.30) + (Pb×0.33) + (Au×0.56) + (Ag×0.01); based on Long-Term prices and metal recoveries at Au:75%, Ag:83%, Cu:89%, Pb:81% and Zn:93%.
Izok Lake	Cu, Zn, Pb, Ag, Au	OP	4.0% ZnEq ¹⁴	ZnEq ⁶ = Zn + (Cu×3.31) + (Pb×1.09) + (Au×1.87) + (Ag×0.033); prices and metal recoveries as per High Lake.

9. OP = Open Pit, UG = Underground.

12. NSR = Net Smelter Return.

10. ASCu = Acid Soluble Copper.

13. CuEq = Copper Equivalent.

11. TCu = Total Copper.

14. ZnEq = Zinc Equivalent.

MINERAL RESOURCES AND ORE RESERVES (CONTINUED)

Table 3 : Ore Reserves cut-off grades

SITE	MINERALISATION	MINING METHOD	CUT-OFF VALUE	COMMENTS
Las Bambas	Primary Copper Ferrobamba	OP	0.19 – 0.27%Cu	Range based on rock type recovery.
	Primary Copper Chalcobamba		0.21 – 0.27%Cu	
	Primary Copper Sulfobamba		0.24 – 0.26% Cu	
Sepon	Supergene Copper ¹⁵	OP	1.1% Cu	Approximate cut-off grades shown in this table. Variable cut-off grade based on net value script. Low grade float refers to stockpile reclaim.
	Supergene Copper 1 – low grade float ¹⁶		0.9% Cu	
	Primary Copper		0.5% Cu	
Kinsevere	Copper Oxide	OP	0.9% ASCu ¹⁷	Approximate cut-off grades shown in this table. Variable cut-off grade based on net value script.
		OP	0.9% ASCu ¹⁷	Stockpile reclaim.
Rosebery	(Zn, Cu, Pb, Au, Ag)	UG	A\$166 NSR ¹⁸ /t	
Dugald River	Primary Zinc	UG	A\$134 NSR ¹⁸ /t	

PROCESSING RECOVERIES

Average processing recoveries are shown in Table 4. More detailed processing recovery relationships are provided in the Technical Appendix.

Table 4: Processing Recoveries

SITE	PRODUCT	RECOVERY					MO	CONCENTRATE MOISTURE ASSUMPTIONS
		COPPER	ZINC	LEAD	SILVER	GOLD		
Las Bambas	Copper Concentrate	86%	-	-	69%	64%		10%
	Molybdenum Concentrate						55%	5%
Rosebery	Zinc Concentrate		87%		9%	6%		8%
	Lead Concentrate		7%	80%	39%	13%		7%
	Copper Concentrate	67%			43%	36%		8%
	Doré (gold and silver)				0.2%	28%		
Dugald River	Zinc Concentrate	-	86%		30%	-		10%
	Lead Concentrate	-		75%	27%	-		12%
Sepon	Copper Cathode	83%	-	-	-	-		-
Kinsevere	Copper Cathode	85% (95% ASCu ²⁰)	-	-	-	-		-

The Technical Appendix published on the MMG website contains additional Mineral Resources and Ore Reserves information (including the Table 1 disclosure).

15. Supergene copper refers to carbonate and chalcocite ore types.

16. Low grade float refers to stockpile reclaim.

17. ASCu = Acid Soluble Copper.

18. NSR = Net Smelter Return.

19. Silver in Rosebery doré is calculated as a constant ratio to gold in the doré. Silver is set to 0.17 against gold being 20.7.

20. ASCu = Acid Soluble Copper.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

For the purpose of the management discussion and analysis, the Group's results for the year ended 31 December 2017 are compared with results for the year ended 31 December 2016.

YEAR ENDED 31 DECEMBER	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	4,143.2	2,488.8	66%
Operating expenses	(1,904.0)	(1,457.1)	(31%)
Other (loss) /income	(35.0)	40.3	(187%)
Exploration expenses	(45.6)	(38.8)	(18%)
Administration expenses	(81.7)	(57.9)	(41%)
Other expenses	(45.5)	(26.1)	(74%)
Gains on disposal of subsidiaries	178.6	-	n/a
EBITDA	2,210.0	949.2	133%
Depreciation and amortisation expenses	(933.0)	(684.5)	(36%)
EBIT	1,277.0	264.7	382%
Net finance costs	(533.5)	(313.0)	(70%)
Profit/(loss) before income tax	743.5	(48.3)	1,639%
Income tax expense	(395.1)	(50.4)	(684%)
Profit/(loss) for the year	348.4	(98.7)	453%
Attributable to:			
Equity holders of the Company	147.1	(152.7)	196%
Non-controlling interests	201.3	54.0	273%
	348.4	(98.7)	453%

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

MMG' profit after income tax of US\$348.4 million for the year ended 31 December 2017 includes profit attributable to equity holders of US\$147.1 million and profit attributable to non-controlling interests of US\$201.3 million. This compares to a loss attributable to equity holders of US\$152.7 million and profit attributable to non-controlling interests of US\$54.0 million in 2016. The profit attributable to non-controlling interests relates to the 37.5% interest in Las Bambas and the 10% interest in Sepon not owned by the Company. The below table provides a reconciliation of reported profit after tax attributable to equity holders.

Profit attributable to equity holders of US\$147.1 million was impacted by a number of non-recurring items during 2017. These included a loss of US\$24.4 million on commodity price contracts, a foreign exchange loss of US\$20.5 million on Century rehabilitation provisions, a foreign exchange loss of US\$16.8 million on the translation of Kinsevere VAT receivables, US\$3.0 million in restructuring charges, a post-tax gain on divestments of US\$9.7 million and a gain on prior year tax adjustments of US\$5.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED 31 DECEMBER	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Profit After Tax - Las Bambas 62.5% interest	336.8	96.9	248%
Profit/(loss) After Tax - Other operations	53.4	(23.5)	327%
Exploration expenses	(45.6)	(38.8)	(18%)
Administration expenses	(81.7)	(57.9)	(41%)
Net finance costs (excl. Las Bambas)	(155.1)	(141.0)	(10%)
Others	39.3	11.6	239%
Profit/(loss) for the year attributable to equity holders	147.1	(152.7)	196%

OVERVIEW OF OPERATING RESULTS

The Group's operations comprise Las Bambas, Sepon, Kinsevere and Australian Operations (including Rosebery and Golden Grove mines). Century mine is no longer in operation following the end of processing operations at the start of 2016. Exploration, development projects (including Dugald River), corporate activities, and other subsidiaries are classified as 'Others'. The Group completed the divestments of Golden Grove and Century mines on 28 February 2017. Accordingly, the operating results for the period from 1 January 2017 to 28 February 2017 for Golden Grove and Century are still reflected in the 2017 results.

YEAR ENDED 31 DECEMBER	REVENUE			EBITDA		
	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Las Bambas	2,936.9	1,224.2	140%	1,740.8	655.0	166%
Sepon	391.9	390.8	0%	119.2	101.5	17%
Kinsevere	500.9	400.4	25%	178.7	116.3	54%
Australian operations	305.2	448.6	(32%)	156.1	179.4	(13%)
Century	-	23.9	(100%)	(20.1)	(10.1)	(99%)
Others	8.3	0.9	822%	35.3 ²	(92.9)	138%
Total	4,143.2	2,488.8	66%	2,210.0	949.2	133%

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

REVENUE

The Group's operational revenue increased by US\$1,654.4 million to US\$4,143.2 million due to higher realised commodity prices and increased copper sales volumes following the full year contribution from Las Bambas (commercial production was achieved on 1 July 2016). Specifically, favourable sales volumes for copper (US\$381.9 million), gold (US\$13.0 million), silver (US\$12.5 million) and molybdenum (US\$18.0 million) were partly offset by an unfavourable sales volumes for zinc (US\$110.1 million) and lead (US\$6.9 million) due to the sale of the Golden Grove mine in February 2017. Higher realised prices increased revenue for copper (US\$1,238.4 million), zinc (US\$70.3 million), lead (US\$14.7 million), gold (US\$13.5 million) and silver (US\$9.1 million).

2. Includes gains from the disposal of subsidiaries of US\$178.6 million in 2017 relating to Golden Grove, Century and Avebury.

REVENUE BY COMMODITY YEAR ENDED 31 DECEMBER	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Copper (US\$ million)	3,550.9	1,913.1	86%
Zinc (US\$ million)	168.7	221.3	(24%)
Lead (US\$ million)	53.1	45.3	17%
Gold (US\$ million)	202.7	177.8	14%
Silver (US\$ million)	149.8	131.3	14%
Molybdenum (US\$ million)	18.0	-	n/a
Total	4,143.2	2,488.8	66%

PRICE

With the exception of silver, LME base metals prices were higher in 2017 compared to 2016. Prices for precious metals were broadly flat in 2017 compared to 2016.

AVERAGE LME CASH PRICE YEAR ENDED 31 DECEMBER	2017	2016	CHANGE % FAV/(UNFAV)
Copper (US\$/tonne)	6,163	4,863	27%
Zinc (US\$/tonne)	2,894	2,095	38%
Lead (US\$/tonne)	2,318	1,872	24%
Gold (US\$/ounce)	1,258	1,250	1%
Silver (US\$/ounce)	17.05	17.14	(1%)
Molybdenum (US\$/tonne)	18,093	14,428	25%

SALES VOLUMES

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER	2017	2016	CHANGE % FAV/(UNFAV)
Copper (tonnes)	586,787	471,617	24%
Zinc (tonnes)	67,944	134,126	(49%)
Lead (tonnes)	23,761	31,369	(24%)
Gold (ounces)	157,513	144,907	9%
Silver (ounces)	8,705,773	7,978,410	9%
Molybdenum (tonnes)	1,202	-	n/a

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2017	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYBDENUM TONNES
Las Bambas	442,471	-	-	129,724	6,350,308	1,202
Sepon	62,931	-	-	-	-	-
Kinsevere	80,023	-	-	-	-	-
Australian operations	1,362	63,930	23,761	27,789	2,355,465	-
Dugald River	-	4,014	-	-	-	-
Century	-	-	-	-	-	-
Total	586,787	67,944	23,761	157,513	8,705,773	1,202

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2016	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYBDENUM TONNES
Las Bambas	296,982	-	-	78,940	4,036,498	-
Sepon	78,714	-	-	-	-	-
Kinsevere	80,491	-	-	-	-	-
Australian operations	15,430	112,438	29,756	65,967	3,915,315	-
Century	-	21,688	1,613	-	26,597	-
Total	471,617	134,126	31,369	144,907	7,978,410	-

Copper sales volumes increased by 24% compared to 2016. This was driven primarily by Las Bambas (49%) delivering its first full year of operations since achieving commercial production on 1 July 2016. Kinsevere volumes were stable (-1%), with lower copper sales at Sepon (-20%), due to the processing of lower grade and more complex ores, and the Australian operations (-91%) following the sale of Golden Grove in February 2017.

Zinc and lead sales volumes were 49% and 24% lower respectively for the year ended 2017 due to the sale of Golden Grove in February 2017 while gold and silver sales volumes both increased 9% due to the uplift at Las Bambas offsetting the impact of the Golden Grove Sale.

Operating expenses include expenses of operating sites, excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses and other operating expenses. Total operating expenses increased by US\$446.9 million (31%) in 2017. Las Bambas operating expenses increased by US\$601.3 million (103%) in 2017 due to only six months of operating expenses being reflected in the income statement in 2016 following the achievement of commercial production. Kinsevere operating expenses increased by US\$16.6 million (6%) due to higher mining costs, as total material movement increased 140% in 2017. This was offset by reduced operating expenses at Sepon of US\$25.7 million (-9%) reflecting the lower production and the impact of cost and efficiency initiatives.

In addition, total operating expenses in the Australian operations reduced by US\$125.0 million (46%), primarily attributable to the sale of Golden Grove in February 2017.

Exploration expenses increased by US\$6.8 million (18%) compared to 2016. New discovery spend was up US\$2.8 million (17%) with increased spending in the DRC/Zambia copper belt and northern Australian zinc basins.

The Group invested US\$24.9 million in mine district exploration, an increase of US\$4.6 million compared to 2016. Exploration in 2017 focused on sustaining current ore reserves and increasing the mine life of existing assets, with

particular focus on Kinsevere and establishing exploration programs at Las Bambas.

Administrative expenses increased by US\$23.8 million (41%) to US\$81.7 million in 2017, predominantly due to increased employee incentive payments as the Company returned to profitability, restructuring costs associated with the ongoing business improvement initiatives and costs associated with the divestment of Golden Grove and Century. Administrative expenses were also impacted by lower corporate recharges in 2017 due to the divested operations.

Other income and expenses had an aggregate favourable impact on EBIT of US\$98.1 million in 2017, compared to the favourable impact of US\$14.2 million in 2016.

The favourable impact in 2017 was predominantly driven by the pre-tax gain on the sale of Golden Grove and Century of US\$22.0 million and US\$151.7 million respectively on 28 February 2017 and the pre-tax gain on the sale of Avebury of US\$4.9 million on 7 July 2017. This was partly offset by the fair value losses on commodity price contracts of US\$24.4 million (2016: gain of US\$21.5 million) and foreign exchange losses on the Century rehabilitation provisions from 1 January 2017 to 28 February 2017 of US\$20.5 million (2016: gain of US\$2.0 million). In addition, foreign exchange losses were recognised on the translation of the Kinsevere value-added tax (VAT) receivables, which are denominated in Congolese franc. Other items included loss on disposal of property, plant and equipment, offset by gains on financial assets recognised at fair value through profit or loss, foreign exchange losses on the translation of monetary items and sundry expense items.

Depreciation and amortisation expenses increased by US\$248.5 million (36%) to US\$933.0 million in 2017. The increase was primarily driven by Las Bambas (US\$339.6 million) due to higher ore mined and milled following the achievement of commercial production on 1 July 2016. This was offset by a reduction of US\$40.2 million at Kinsevere due to a reduction in the amortisation of fair value on acquisition and US\$29.6 million from the Australian Operations following the sale of Golden Grove.

Net finance costs increased by US\$220.5 million (70%) to US\$533.5 million in 2017. The increase was mainly due to Las Bambas achieving commercial production on 1 July 2016, following which capitalisation of interest expense on Las Bambas borrowings ceased.

Income tax expense of US\$395.1 million in 2017 includes US\$169.0 million from the divestments of Golden Grove, Century and Avebury. The majority of the tax expense on the divestments was due to de-recognition of the deferred tax assets relating to Century.

Excluding the impacts of the divestments of Golden Grove, Century, and Avebury the effective tax rate for the year ended 31 December 2017 was 40.0%. This included unfavourable impacts from non-creditable Withholding Tax, unrecognised Deferred Tax Asset in relation to rehabilitation provisions, and other non-deductible expenditure.

MINES ANALYSIS

LAS BAMBAS

YEAR ENDED 31 DECEMBER	2017	2016	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	52,873,113	46,910,080	13%
Ore milled (tonnes)	51,497,642	46,502,808	11%
Copper in concentrate (tonnes)	453,749	330,227	37%
Payable metal in product sold			
Copper (tonnes)	442,471	296,982	49%
Gold (ounces)	129,724	78,940	64%
Silver (ounces)	6,350,308	4,036,498	57%
Molybdenum (tonnes)	1,202	-	-

YEAR ENDED 31 DECEMBER	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	2,936.9	1,224.2	140%
Operating expenses			
Production expenses			
Mining	(342.6)	(165.4)	(107%)
Processing	(294.1)	(156.6)	(88%)
Other	(358.3)	(125.0)	(187%)
Total production expenses	(995.0)	(447.0)	(123%)
Freight (transportation)	(66.0)	(33.3)	(98%)
Royalties	(88.3)	(34.3)	(157%)
Other ⁽ⁱ⁾	(35.5)	(68.9)	48%
Total operating expenses	(1,184.8)	(583.5)	(103%)
Other (expenses)/income	(11.3)	14.3	(179%)
EBITDA	1,740.8	655.0	166%
Depreciation and amortisation expenses	(589.4)	(249.8)	(136%)
EBIT	1,151.4	405.2	184%
EBITDA margin	59%	54%	-

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue of US\$2,936.9 million was derived from payable metal in product sold of 442,471 tonnes of copper in copper concentrate. C1 costs for 2017 were US\$0.99/lb compared to US\$1.02/lb in the second half of 2016 and EBITDA for the period was US\$1,740.8 million.

Las Bambas was only accounted for as an operation from 1 July 2016 when commercial production was achieved, and therefore the comparable operating results for 2016 only reflect 6 months of sales, operating expenses and depreciation and amortisation expenses.

Following an outstanding ramp up, Las Bambas delivered a strong operating result in 2017, its first full year since achieving commercial production. Total ore milled of 51.5 million tonnes in 2017, was above plant nameplate capacity of 51.1 million tonnes, and production 453,749 tonnes of copper in copper concentrate firmly established Las Bambas as one of the world's top 10 copper mines. Average ore grades mined and milled were 1.1% and 1.0% in 2017 compared with the reserve grade of 0.7%.

MMG expects total copper in copper concentrate production for 2018 at Las Bambas of 410,000 to 430,000 tonnes, reflecting lower grades as we continue to develop the mine. We also expect to see lower metal production in the first quarter of 2018 as a result of work to manage a localised

geotechnical instability. No loss of metal will result, with production deferred to subsequent periods.

Consistent with previous guidance, we expect Las Bambas to deliver in excess of 2 million tonnes of copper in copper concentrate over the first 5 years of operation. A series of work programs to maintain this production profile into the future is well advanced.

C1 unit cost guidance is US\$1.00-1.10/lb for 2018 with the impacts of lower production partly offset by ongoing business improvement initiatives. This positions Las Bambas as one of the lowest cost copper mines of this scale in the world.

A series of cost and efficiency initiatives implemented at Las Bambas during the year are expected to deliver cost benefits that will partly offset the impacts of escalating labour and energy costs as well as the negative impact to unit C1 costs from lower metal production.

The Group has been granted warranties and indemnities in relation to certain tax matters arising from the previous ownership of the Las Bambas project, i.e. up to 31 July 2014. The Group sought to enforce those indemnities filing formal claims totalling US\$31.5 million (including penalties and interest). The trial is set down for 23 April 2018.

SEPON

YEAR ENDED 31 DECEMBER	2017	2016	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,335,942	2,967,991	(55%)
Ore milled (tonnes)	3,149,317	2,547,564	24%
Copper cathode (tonnes)	62,941	78,492	(20%)
Payable metal in product sold			
Copper (tonnes)	62,931	78,714	(20%)

YEAR ENDED 31 DECEMBER	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	391.9	390.8	0%
Operating expenses			
Production expenses			
Mining	(27.0)	(63.3)	57%
Processing	(139.1)	(129.7)	(7%)
Other	(50.7)	(43.4)	(17%)
Total production expenses	(216.8)	(236.4)	8%
Freight (transportation)	(3.3)	(4.8)	31%
Royalties	(17.5)	(17.2)	(2%)
Other ⁽ⁱ⁾	(34.8)	(39.7)	12%
Total operating expenses	(272.4)	(298.1)	9%
Other (expenses)/income	(0.3)	8.8	(103%)
EBITDA	119.2	101.5	17%
Depreciation and amortisation expenses	(114.4)	(138.2)	17%
EBIT	4.8	(36.7)	113%
EBITDA margin	30%	26%	-

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

Sepon produced 62,941 tonnes of copper cathode in 2017, down 20% on 2016. Production was impacted by the continued transition to lower grade and more complex ores, with ore milled grades of 2.5% compared to 3.7% in 2016.

Offsetting this lower production, a higher average realised copper price resulted in revenue increasing by US\$1.1 million.

C1 costs for 2017 were US\$1.59/lb compared to US\$1.32/lb in 2016 due to the impact of lower production.

The \$25.7 million favourable movement in operating expenses is attributable to lower mining costs in 2017 driven by the implementation of cost savings initiatives, and increased waste stripping leading to higher capitalisation of mining costs. As Sepon approaches the end of its life there will be no further capitalisation of mining costs in 2018 and beyond. The higher waste stripping has now exposed higher grade ores that will continue to be mined and milled throughout 2018 and 2019.

Processing costs increased by only 7% despite a 24% increase in mill throughput in 2017, highlighting the benefits of efficiency and cost control measures implemented over the past 18 months. The lower operating costs resulted in a 17% increase in EBITDA, compared to 2016.

Depreciation and amortisation expenses decreased by US\$23.8 million (17%) due to the 55% reduction in ore mined in 2017.

A review that focused on all activities and costs was implemented at Sepon in 2016 to rebase the asset for a lower grade future and this program delivered cost savings of approximately US\$26 million in 2017.

2018 copper cathode production is expected to be between 70,000 and 80,000 tonnes, with the improvement on 2017 driven by higher ore grades and continued strong operational performance. Despite higher production, MMG expects C1 unit costs in the range of US\$1.60-US\$1.75/lb. The higher C1 costs reflect that there will be no further capitalisation of deferred mining costs in 2018, with the copper mine approaching the end of its life.

MMG continues to actively review future options for the Sepon mine and associated infrastructure. As part of this strategic review, MMG has initiated an expression of interest process for the Sepon asset. MMG expects an outcome to be determined in the first half of 2018 having now entered the second round of the process with a shortlist of interested parties.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

KINSEVERE

YEAR ENDED 31 DECEMBER	2017	2016	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	2,466,139	2,009,298	23%
Ore milled (tonnes)	2,274,305	2,294,530	(1%)
Copper cathode (tonnes)	80,186	80,650	(1%)
Payable metal in product sold			
Copper (tonnes)	80,023	80,491	(1%)

YEAR ENDED 31 DECEMBER	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	500.9	400.4	25%
Operating expenses			
Production expenses			
Mining	(51.8)	(35.3)	(47%)
Processing	(89.1)	(78.9)	(13%)
Other	(86.0)	(80.2)	(7%)
Total production expenses	(226.9)	(194.4)	(17%)
Freight (transportation)	(41.7)	(39.1)	(7%)
Royalties	(19.8)	(16.9)	(17%)
Other ⁽ⁱ⁾	(11.1)	(32.5)	66%
Total operating expenses	(299.5)	(282.9)	(6%)
Other income/(expenses)	(22.7)	(1.2)	(1,792%)
EBITDA	178.7	116.3	54%
Depreciation and amortisation expenses	(144.2)	(184.4)	22%
EBIT	34.5	(68.1)	151%
EBITDA margin	36%	29%	-

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

Kinsevere production was in line with the prior period at 80,186 tonnes of copper cathode, representing the third consecutive year of stable and consistent production above 80,000 tonnes. The strong production was supported by significantly improved mining performance with total material movement increasing by 140% from 6.2 million tonnes in 2016 to 14.8 million tonnes in 2017.

Revenue increased by US\$100.5 million (25%) compared to 2016 as a result of higher average realised copper prices.

Operating expenses increased by US\$16.6 million (6%) compared to 2016. This was primarily driven by higher mining costs, as a result of the 140% increase in total material movement and costs associated with the mobilisation of a second mining contractor during the year. Processing costs were also higher during the year due largely to an increase in the cost of sulphuric acid in the DRC. Partially offsetting these increases was the non-recurrence of the US\$35 million write down of stockpiled ore in 2016.

Higher operating expenses resulted in C1 costs of US\$1.58/lb in 2017 compared to US\$1.30/lb in 2016.

EBITDA increased 54% to US\$178.7 million with the revenue increase from higher copper prices offsetting increased mining and processing costs.

Depreciation and amortisation expenses decreased by US\$40.2 million (22%), driven mainly by a reduction in the amortisation of fair value acquisition costs.

Despite declining ore grades at Kinsevere, MMG expects to maintain stable production levels, with guidance of approximately 80,000 tonnes of copper cathode in 2018.

C1 costs are expected to be in the range of US\$1.57-US\$1.67 for 2018, with increased waste movement and higher blasting costs offset by ongoing efficiency and cost reduction initiatives.

The Company continues to assess the financial impact that recently proposed changes to the DRC Mining Code will have on the Kinsevere operation, noting that in its current format it is likely to significantly impact profitability and the attractiveness of future investment in the region.

AUSTRALIAN OPERATIONS

YEAR ENDED 31 DECEMBER	2017	2016	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,112,481	1,870,032	(41%)
Ore milled (tonnes)	1,046,565	1,893,916	(45%)
Copper in copper concentrate (tonnes)	2,963	14,142	(79%)
Zinc in zinc concentrate (tonnes)	76,165	119,575	(36%)
Lead in lead concentrate (tonnes)	26,858	29,968	(10%)
Gold (ounces)	12,451	32,829	(62%)
Silver (ounces)	6,510	679,100	(99%)
Payable metal in product sold			
Copper (tonnes)	1,362	15,430	(91%)
Zinc (tonnes)	63,930	112,438	(43%)
Lead (tonnes)	23,761	29,756	(20%)
Gold (ounces)	27,789	65,967	(58%)
Silver (ounces)	2,355,465	3,915,315	(40%)

YEAR ENDED 31 DECEMBER	2017 US\$ MILLION	2016 US\$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	305.2	448.6	(32%)
Operating expenses			
Production expenses			
Mining	(105.8)	(115.9)	9%
Processing	(36.5)	(70.9)	49%
Other	(6.2)	(22.8)	73%
Total production expenses	(148.5)	(209.6)	29%
Freight (transportation)	(5.6)	(12.7)	56%
Royalties	(16.3)	(19.8)	18%
Other ⁽ⁱ⁾	23.6	(29.7)	179%
Total operating expenses	(146.8)	(271.8)	46%
Other (expenses)/income	(2.3)	2.6	(188%)
EBITDA	156.1	179.4	(13%)
Depreciation and amortisation expenses	(73.9)	(103.5)	29%
EBIT	82.2	75.9	8%
EBITDA margin	51%	40%	-

(i) Other operating expenses include changes in inventories, corporate recharges and other costs of operations.

Total revenue decreased by US\$143.4 million (32%) mainly due to the divestment of Golden Grove on 28 February 2017, resulting in a decrease in revenue of US\$182.9 million. Offsetting this, revenue increased by US\$39.6 million at Rosebery driven by higher realised prices for zinc and lead and EBIT increased by 8% to US\$82.2 million.

Ore mined and ore milled reduced by 41% and 45% respectively, compared to 2016, due to the divestment of Golden Grove. Excluding the impact of the divestment, ore mined and milled at Rosebery increased 6% and 3% respectively. Production of zinc in zinc concentrate at Rosebery was 74,803 tonnes in 2017, 8% below 2016 levels, with debottlenecking initiatives to increase throughput and mining rates largely offsetting the impact of declining grades.

Rosebery's zinc C1 costs were US\$0.07/lb in 2017, below US\$0.12/lb in 2016, due to the significant contribution from precious metal by-products.

Operating expenses decreased by US\$125.0 million (46%) driven by the divestment of Golden Grove. Excluding the divestment, operating expenses at Rosebery were broadly flat compared to 2016 at US\$136.9 million (-1%).

EBITDA of US\$156.1 million was driven by a US\$152.0 million contribution from Rosebery, which was 34% above 2016.

Depreciation and amortisation expenses decreased by US\$29.6 million (29%) due to the divestment of Golden Grove. This was offset partly by higher depreciation at Rosebery, which increased US\$16.7 million (32%) due to the higher Ore Mined and higher Ore Milled.

In 2018, MMG expects to produce between 70,000–80,000 tonnes of zinc in zinc concentrate at Rosebery at a C1 cost of US\$0.00/lb to US\$0.15/lb.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOW ANALYSIS

NET CASH FLOW

TWELVE MONTHS ENDED 31 DECEMBER	2017	2016
Net operating cash flows	2,369.8	722.3
Net investing cash flows	(522.4)	(847.2)
Net financing cash flows	(1,464.0)	79.3
Net cash inflows/(outflows)	383.4	(45.6)

Net operating cash inflows increased by US\$1,647.5 million (228%) to US\$2,369.8 million mainly reflecting higher EBITDA, following the achievement of commercial production at Las Bambas in the second half of 2016 as well as higher average realised metal prices (particularly copper) in 2017.

Net investing cash outflows decreased by US\$324.8 million to US\$522.4 million largely due to net proceeds of US\$208.4 million from disposals of Golden Grove, Century and Avebury, as well as decrease in capital expenditures at Las Bambas, which partially offset the capital expenditures at the Dugald River project.

Net financing cash outflows included repayments of borrowings of US\$1,212.2 million, and payments of interest and financing costs of US\$409.1 million in line with contractual terms. These were partially offset by drawdowns of US\$140.0 million under the Dugald River project facility.

Financing cash inflows in 2016 included repayments of borrowings of US\$664.4 million, as well as payments of interest and financing costs of US\$403.6 million in line with contractual terms. Dividends of US\$3.5 million were also paid to Sepon minority shareholder, the Government of Laos. These were partially offset by drawdowns of US\$263.4 million under the US\$5,988.0 million Las Bambas project facility with China Development Bank Corporation (CDB), Industrial and Commercial Bank of China Limited (ICBC), Bank of China Limited (Sydney Branch) (BOC) and The Export-Import Bank of China (EXIM), US\$200.0 million under the US\$350.0 million working capital facility with ICBC, US\$80.0 million under the US\$550 million Dugald River facility with BOC and CDB, and US\$100.0 million under US\$300.0 million facility with ICBC. Additionally, in December 2016 the Group successfully completed the Rights Issue of 2,645,034,944 rights shares at HK\$1.50 per share with proceeds of US\$504.2 million, net of share issue costs.

FINANCIAL RESOURCES AND LIQUIDITY

	31 DECEMBER 2017 US\$ MILLION	31 DECEMBER 2016 US\$ MILLION	CHANGE US\$ MILLION
Total assets	14,789.6	15,230.0	(440.4)
Total liabilities	(11,817.8)	(12,640.4)	822.6
Total equity	2,971.8	2,589.6	382.2

Total equity increased by US\$382.2 million to US\$2,971.8 million as at 31 December 2017, mainly reflecting the US\$348.4 million net profit for the year.

The Group's objectives in managing capital are to support sustainable growth, enhance Shareholder value and provide capital for potential acquisitions and investment.

The gearing ratio for the Group is in the following table with gearing defined as net debt (total borrowings excluding finance charge prepayments, less cash and cash equivalents) divided by the aggregate of net debt and total equity.

	31 DECEMBER 2017 US\$ MILLION	31 DECEMBER 2016 US\$ MILLION
MMG GROUP		
Total borrowings (excluding prepayments) ¹	9,270.9	10,339.5
Less: cash and cash equivalents	(936.1)	(552.7)
Net debt	8,334.8	9,786.8
Total equity	2,971.8	2,589.6
Net debt + Total equity	11,306.6	12,376.4
Gearing ratio	0.74	0.79

1. Borrowings at an MMG Group level reflect 100% of MMG SAM borrowings. MMG SAM's borrowings have not been reduced to reflect the MMG Group's 62.5% equity interest in that entity. This is consistent with the basis of preparation of MMG's consolidated financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US\$2,261.3 million (2016: US\$2,261.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas joint venture company, MMG SAM. For the purpose of the above gearing ratio calculation, it has however been included as borrowings.

AVAILABLE DEBT FACILITIES

As at 31 December 2017, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US\$380.0 million (2016: US\$320.0 million), including:

- US\$80.0 million available under the amended US\$550.0 million Dugald River facility provided by China Development Bank Corporation and Bank of China Sydney Branch, which can only be used for the purpose of funding the Dugald River project; and
- US\$300.0 million available for general corporate purposes under the US\$300.0 million ICBC revolving facility.

During 2017, the availability period under the US\$2,262.0 million facility provided by Top Create Resources Limited, a shareholder of the Company, ended (31 December 2016: US\$0.7 million was available but undrawn). No drawings were made under this facility during 2017.

As at 31 December 2017, the MMG South America Management Group had available undrawn bank debt facilities of US\$350.0 million (2016: US\$252.3 million), represented by the existing US\$350.0 million BOC Sydney Working Capital Revolving Facility, which is exclusively for the MMG South America Management Group. During 2017, the availability period under the Las Bambas Project Facility ended (31 December 2016: US\$2.3 million was available but undrawn). No drawings were made under the Las Bambas Project Facility during 2017.

DEVELOPMENT PROJECTS

An update of the Company's major development projects is following:

DUGALD RIVER, AUSTRALIA

Zinc production began in the fourth quarter of 2017, with 12,412 tonnes of zinc in zinc concentrate produced as part of commissioning activities. The first shipment of approximately 10,500 wet metric tonnes of zinc concentrate departed the Port of Townsville in Australia for Huangpu, China on 16 December 2017.

Project construction was largely complete as at 31 December 2017, with handover from the construction to operations team now ongoing along with significant demobilisation of project related personnel.

Work to ramp up to nameplate capacity of 1.7 million tonnes of mill throughput per annum will continue over the coming months. MMG expects to produce 120,000 to 140,000 tonnes of zinc in zinc concentrate in 2018 as commissioning progresses and production ramps up. At this stage, it is expected that commercial production will be achieved during the first half of 2018.

The total capital cost from 1 August 2015 to project completion is expected to be between US\$550-570 million, below the previous guidance range of US\$600-620 million plus interest costs. The total capital cost will be determined upon the achievement of commercial production.

Dugald River is positioned to be within the world's top ten zinc mines when operational, with annual production of around 170,000 tonnes of zinc in zinc concentrate, plus by-products. The mine will operate over an estimated 25 years. As previously disclosed, MMG expects to achieve C1 costs of US\$0.68/lb to US\$0.78/lb when at a steady state of operation, which is anticipated in the second half of 2018.

CONTRACTS AND COMMITMENTS

Approximately 760 contracts have been reviewed during 2017 through either out to market tender processes or in-contract renegotiations. The approximate annual operational or capital values addressed by these activities come to \$1.3 billion.

SEPON

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including; multiple contracts for reagents and commodities, logistics services, OEM (Original Equipment Manufacturer) parts and service provision, engineering consultancy services and ancillary equipment.

KINSEVERE

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including; a new additional mining services contract, logistics and customs clearance services, site and near-site drilling services, multiple contracts covering civil works, multiple contracts covering material and service requirements for site infrastructure projects, multiple contracts for the supply of reagents and commodities and extensions to camp services and power generation contracts.

AUSTRALIAN OPERATIONS

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including; revision and extension of rail services contract, multiple new or revised underground mining services contracts, multiple contracts for reagents and commodity supply, multiple new and revised contracts covering material and service requirements for site

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

infrastructure projects, and multiple contracts for the provision of goods and services for the maintenance of fixed and mobile assets.

Additionally, contracting support was undertaken as part of the separation of the Golden Grove and Century operations.

LAS BAMBAS

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including; provision of fuel and related services, multiple OEM parts and service provision revisions and new contracts covering both fixed and mobile plant, explosives supply and blasting services contracts, Tailings Storage facility capital works, multiple contracts covering material and service requirements for site infrastructure projects, multiple new and amended contracts covering the supply of processing reagents and commodities, additional mobile plant purchases, drilling services, multiple engineering consultancy services contracts, new light vehicle supply and services, multiple new and amended contracts for provision of ancillary services and multiple amendments and extensions to goods supply and logistics services contracts.

DUGALD RIVER

As the project progressed through construction and toward commissioning, contracting activity remained high with a focus on construction completion and operational readiness.

New and revised construction related agreements of significance include; concentrate plant construction, Tailings Storage Facility /civil earthworks, village expansion, paste plant reticulation installation services, and multiple engineering and consultancy services contracts.

New and revised operation related agreements include; multiple utilities supply, on-sell and maintenance contracts, multiple revised logistics services contracts, multiple new or revised underground mining services contracts, multiple processing related OEM spare parts provision and services contracts, multiple infrastructure and ancillary equipment supply, spare parts provision and services contracts, and reagents and commodities first-fill and ongoing supply contracts.

GROUP (INCLUDING GLOBAL GEOSCIENCE AND DISCOVERY REQUIREMENTS)

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including; Group-wide Laboratory Testing services agreements, multiple IT related consultancy, goods supply and service agreements, multiple corporate consultancy agreements, multiple exploration geophysical consultancy and survey agreements, multiple exploration drilling service agreements, and multiple ancillary fleet purchase and service provision agreements.

PEOPLE

As at 31 December 2017, the Group employed a total of 4,848 full-time equivalent employees (31 December 2016: 5,210) in its operations (excluding contractors, casual employees, apprentices and trainees) with the majority of employees based in Hong Kong, Australia, Laos, Peru and the Democratic Republic of Congo (DRC).

Total employee benefits expenses for the Group's operations for the 12 months ended 31 December 2017, including Directors' emoluments, totalled US\$388.1 million – an increase of 19.0% (2016: US\$326.0 million), in line with the commencement of commercial production at Las Bambas.

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

EXPLORATION ACTIVITIES

Exploration activities were focused on Las Bambas and Kinsevere mine sites in Peru and the DRC, and a number of exploration prospects in Brazil, Australia, DRC and Zambia. Exploration expenditure for 2017 is US\$45.6 million (2016: US\$38.8 million).

Geological mapping, surface geochemical and geophysical survey programs at Las Bambas continue to systematically explore for satellite deposits near current mining operations. These included the completion of high resolution airborne and ground magnetic surveys which have proved effective for new target generation across the entire mining lease area. Diamond drilling was also undertaken to test deep extensions to known mineralisation below Ferrobamba.

Diamond drilling at the Nambulwa project 25 kilometres north of the Kinsevere mine in the DRC delineated a supergene and oxide copper deposit at the Nambulwa Main prospect as well as identified a new chalcocite copper sulphide discovery at the Kimbwe 1 prospect.

A number of surface sampling, geophysical survey and scout drilling programs were completed at greenfield projects in Australia, Brazil, Zambia and the DRC. This included diamond drilling of sediment hosted zinc deposit targets in the McArthur Basin in Australia, drilling of nickel sulphide targets at the Limoeiro and Plumridge Projects in Brazil and Australia respectively, and drilling of geochemical targets near Solwezi in Zambia. Regional surface sampling was also completed at the Kakanda prospect in the central copper belt in the DRC.

PROJECT	HOLE TYPE	METREAGE (M)	NO. HOLES	AV. LENGTH (M)
Kinsevere/RAD50 (copper; DRC)	RC	16,554	151	110
	Diamond	12,291	94	131
Africa Regional Exploration (copper; DRC/Zambia)	Aircore	12,314	360	34
	Diamond	2,592	9	288
McArthur River (zinc; Australia)	Diamond	9,255	21	441
Limoerio (nickel; Brazil)	Diamond	2,452	5	490
Plumridge (nickel; Australia)	RC	3,216	10	322
Las Bambas Exploration (copper; Peru)	Diamond	988	1	988
TOTAL		59,662	651	

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions in the 12 months ended 31 December 2017.

SALE OF GOLDEN GROVE MINE

The Group completed the sale of the Golden Grove mine to EMR Capital Holdings Pty Ltd ("EMR Capital") on 28 February 2017 for gross proceeds of US\$210.0 million. All conditions for completion were met on 28 February 2017 and the Group lost control of and ceased to consolidate Golden Grove from that date. The sale agreement provided EMR Capital the economic benefit of operations at Golden Grove from 1 January 2017 and a post settlement adjustment was made to the sale price to reflect the effective date of ownership. The transaction resulted in a pre-tax profit on disposal of US\$22.0 million (US\$18 million post-tax).

SALE OF CENTURY MINE

On 28 February 2017 the Group entered into agreements with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd ("Century Bull") which is independent of the Group, to effect the disposal of assets and infrastructure associated with the Century mine. The disposal benefitted the Group by transferring the assets and rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites while capping the Group's potential liabilities related to the Century mine. The sale was completed on 28 February 2017.

As at 28 February 2017, the book value of Century amounted to a net liability of US\$172.8 million, including rehabilitation liabilities of US\$337.8 million. As a part of the terms of the sale the Group has procured certain bank guarantees amounting to A\$193.7 million (equivalent to US\$148.8 million) for the benefit of Century Bull until 31 December 2026. The guarantees have been procured to support certain obligations Century Bull is required to perform in operating the Century Mine business including rehabilitation activities. Century Bull is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees.

The Group recognises the fair value of the guarantee as a financial liability until expiry of the guarantee period, which is capped at a maximum of A\$193.7 million (equivalent to US\$148.8 million). Century Bull must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In addition, the Group will make an additional contribution totalling A\$34.5 million (equivalent to US\$26.5 million) over three years (A\$11.5 million has been paid as of 31 December 2017), to provide short-term support to Century Bull during its transition period in respect to its obligations around site upkeep and environmental maintenance and monitoring. The Group also established a special purpose trust of A\$12.1 million (equivalent to US\$9.3 million), managed independently by Equity Trustees to support Century Bull in meeting Century's existing obligations and agreed community projects for the benefit of Lower Gulf communities.

SALE OF AVEBURY

In September 2016, MMG entered into a sale agreement with Dundas Mining Pty Ltd for the sale of the Averbury nickel mine for consideration of A\$25 million (equivalent to US\$19.0 million). Completion of the sale occurred on 7 July 2017.

The operating results for the period from 1 January 2017 to 28 February 2017 of Golden Grove and Century mines and the operating result for the period from 1 January 2017 to 7 July 2017 of Averbury mine are still consolidated into the Group's financial statement of profit or loss for the current year.

EVENTS AFTER THE REPORTING DATE

REDEMPTION OF CONVERTIBLE REDEEMABLE PREFERENCE SHARES (CRPS)

On 29 December 2017, the Company announced that one of its subsidiaries, Topstart Limited, had issued a notice to Alber Holdings Company Limited advising of its election to redeem all of the CRPS on issue. The redemption took effect on 8 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AMENDMENT TO DUGALD RIVER FACILITY

On 9 January 2018, the Company announced that members of the Group, China Development Bank and Bank of China (Sydney Branch) had entered into certain security release documentation and an agreement amending and restating the Dugald River facility, for the purpose of reducing the security arrangements including releasing all guarantors other than CMC and making other amendments as required to reflect this, including but not limited to the removal of certain undertakings, representations, warranties and covenant compliance requirements. As a result of this transaction, the security over the shares in and assets of MMG Dugald River project became the only substantive remaining security in relation to the Dugald River facility.

LAS BAMBAS PROJECT FACILITY PRE-PAYMENT

On 24 January 2018, the Company announced that the shareholders of Minera Las Bambas S.A. had resolved to use surplus funds to prepay US\$500 million of borrowings under the Las Bambas Project Facility. The prepayment took effect on 31 January 2018.

DEMOCRATIC REPUBLIC OF CONGO MINING CODE

On 26 January 2018, the Congolese Senate passed the revised DRC mining code. The proposed mining code has been submitted to the President of the DRC for approval, although the changes to the Mining Code have not been enacted at the time of the issuance of the consolidated financial statements. The Group along with other industry participants are actively engaged in discussion with the DRC Government to negate any negative financial outcomes. Should the negotiations be unsuccessful and the current proposals be effected the asset is likely to require impairment.

The Group will continue to update its analysis of the impact of the changes to the DRC Mining Code as more information becomes available. At this stage, the Group is not able to reliably estimate the impact of the proposed changes to the DRC Mining Code.

MMG will continue to work with the Congolese government to better understand and influence the application of the new measures.

Other than the matters outlined in this announcement, 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.

FINANCIAL AND OTHER RISK MANAGEMENT

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 and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group can use derivative financial instruments such as foreign exchange contracts and commodity swaps to manage certain exposures. The Group does not and is prohibited from entering into derivative contracts for speculative purposes.

Financial risk management is carried out by the Group Treasury function under proposals approved by the Board. Group Treasury identifies, evaluates and manages financial risks in close cooperation with the Group's operating units. The Board approves written principles for overall risk management, as well as policies covering specific areas, such as those identified below.

(a) Commodity price risk

The prices of copper, zinc, lead, gold, and silver are affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned. The Group has entered into a series of commodity price contracts for copper in 2016, the last of which settled in 2017. As at 31 December 2017, there were no commodity price contracts in place.

The following table details the sensitivity of the Group's financial assets (excluding commodity price contracts) balance to movements in commodity prices. Financial assets arising from revenue on provisionally priced sales are recognised at the estimated fair value of the total consideration of the receivable and subsequently remeasured at each reporting date. At the reporting date, if the commodity prices increased/(decreased) by 10% and all other variables were held constant, the Group's post-tax profit/(loss) would have changed as set out below:

COMMODITY	31 DECEMBER 2017			31 DECEMBER 2016		
	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US\$ MILLION	DECREASE PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	DECREASE LOSS US\$ MILLION	INCREASE LOSS US\$ MILLION
Zinc	10%	0.7	(0.7)	10%	5.1	(5.1)
Copper	10%	21.2	(21.2)	10%	53.8	(53.8)
Lead	10%	0.6	(0.6)	10%	0.1	(0.1)
Total		22.5	(22.5)		59.0	(59.0)

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk

is assessed periodically in light of the Group's overall exposure, the prevailing interest rate market and any funding counterparty requirements.

Regular reporting which summarises the Group's debt and interest rates is provided to the Executive Committee. As at 31 December 2017 and 2016, if the interest rate had increased/(decreased) by 100 basis points with all other variables held constant, post-tax profit/(loss) and other comprehensive income (OCI) would have changed as follows:

US\$ MILLION	2017				2016			
	-100 BASIS POINTS		+100 BASIS POINTS		-100 BASIS POINTS		+100 BASIS POINTS	
	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	(INCREASE)/ DECREASE IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	(INCREASE)/ DECREASE IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
Financial assets								
Cash and cash equivalents	(6.6)	-	6.6	-	(3.9)	-	3.9	-
Financial liabilities								
Borrowings	60.1	-	(60.1)	-	39.8	-	(39.8)	-
Total	53.5	-	(53.5)	-	35.9	-	(35.9)	-

Interest on borrowings in relation to development projects is capitalised into Property, Plant and Equipment, and does not impact profit/loss or equity of the Group so it is not included in the sensitivity analysis.

If the sensitivity analysis had included capitalised interest on borrowings in relation to development projects, the rate variation would have increased or decreased Property, Plant and Equipment by US\$4.7million (2016: US\$31.2 million) with the corresponding offset in cash and cash equivalents.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(c) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries within the Group is US dollars. The majority of revenue received by the Group is in US dollars. The Group's foreign currency exchange risk arises predominantly from the currency of the countries in which the Group's operations are located. Any decision to hedge foreign currency risk is assessed

periodically in light of the Group's exposure, the prevailing foreign currency market and any funding counterparty requirements.

The following table outlines the forward foreign exchange contracts outstanding at 31 December 2017 and 2016:

OUTSTANDING CONTRACTS	YEAR ENDED 31 DECEMBER 2017			
	AVERAGE AUD TO USD EXCHANGE RATE	FOREIGN CURRENCY A\$ MILLION	NOTIONAL VALUE US\$ MILLION	FAIR VALUE ASSETS (LIABILITIES) US\$ MILLION
Buy AUD				
Less than 3 months	0.75	15.0	11.2	0.4
3 to 6 months	-	-	-	-
6 to 12 months	-	-	-	-
Beyond 12 months	-	-	-	-
Total		15.0	11.2	0.4
OUTSTANDING CONTRACTS	YEAR ENDED 31 DECEMBER 2016			
	AVERAGE AUD TO USD EXCHANGE RATE	FOREIGN CURRENCY A\$ MILLION	NOTIONAL VALUE US\$ MILLION	FAIR VALUE ASSETS (LIABILITIES) US\$ MILLION
Buy AUD				
Less than 3 months	0.74	43.5	32.4	(1.0)
3 to 6 months	0.74	43.5	32.2	(1.0)
6 to 12 months	0.74	87.0	64.3	(2.1)
Beyond 12 months	0.75	15.0	11.2	(0.5)
Total		189.0	140.1	(4.6)

The following table illustrates the sensitivity of the Group's foreign currency forward contracts to movements in the value of the Australian dollar against the US dollar, taking into account all underlying exposures and related hedges.

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	2017		2016	
	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX US\$ MILLION	INCREASE/ (DECREASE) IN OCI US\$ MILLION	(INCREASE)/ DECREASE IN NET LOSS AFTER TAX US\$ MILLION	INCREASE/ (DECREASE) IN OCI US\$ MILLION
AUD to USD +10%	-	0.8	-	9.5
AUD to USD -10%	-	(0.8)	-	(9.5)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- The hedging is assumed to be 100% effective.
- A sensitivity of 10% has been selected based on the reasonably possible movements given recent and historical levels of volatility and exchange rates and economic forecast expectations.
- A sensitivity analysis of derivatives has been based on reasonably possible movements of spot rates at reporting dates rather than forward rates.

The following table shows the foreign currency risk arising from the monetary assets and liabilities, which are shown by foreign currency of respective subsidiaries.

US\$ MILLION	US\$	PEN	A\$	HK\$	OTHERS	TOTAL
As at 31 December 2017						
Monetary assets						
Cash and cash equivalents	928.3	1.4	1.9	1.6	2.9	936.1
Trade receivables	236.3	-	-	-	-	236.3
Other and sundry receivables (including VAT receivables)	76.6	99.4	3.5	-	55.2	234.7
Derivative financial assets	0.5	-	-	-	-	0.5
Financial liabilities						
Trade and other payables	(577.8)	(65.0)	(70.9)	-	(16.4)	(730.1)
Other financial liabilities	-	-	(160.3)	-	-	(160.3)
Borrowings (excluding prepayments)	(9,270.9)	-	-	-	-	(9,270.9)
	(8,607.0)	35.8	(225.8)	1.6	41.7	(8,753.7)
As at 31 December 2016						
Monetary assets						
Cash and cash equivalents	521.9	14.7	10.0	2.6	3.5	552.7
Trade receivables	406.6	-	-	-	-	406.6
Other and sundry receivables (including VAT receivables)	69.9	337.5	3.4	-	51.2	462.0
Derivative financial assets	16.7	-	-	-	-	16.7
Financial liabilities						
Trade and other payables	(468.3)	(117.2)	(59.5)	-	(7.6)	(652.6)
Derivative financial liabilities	(5.8)	-	-	-	-	(5.8)
Borrowings (excluding prepayments)	(10,339.5)	-	-	-	-	(10,339.5)
	(9,798.5)	235.0	(46.1)	2.6	47.1	(9,559.9)

Based on the Group's net monetary assets and liabilities excluding the derivative assets and liabilities as at 31 December 2017 and 2016, a movement of the US dollar against the principal non-functional currencies as illustrated in the table below, with all other variables held constant, would cause increase/(decrease) in post-tax profit/(loss) and OCI as follows:

US\$ MILLION	2017				2016			
	WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR		WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR	
	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	(INCREASE)/ DECREASE IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	(INCREASE)/ DECREASE IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
10% movement in Australian dollar (2016: 10%)	(15.8)	-	15.8	-	(3.2)	-	3.2	-
10% movement in Peruvian sol (2016: 10%)	2.4	-	(2.4)	-	16.0	-	(16.0)	-
Total	(13.4)	-	13.4	-	12.8	-	(12.8)	-

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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.

The credit risk on investments in cash, short-term deposits and similar assets are with approved counterparty banks and the intermediate holding company of the 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 customers are CMN, CITIC Metal Peru Investment Limited ("CITIC Metal") and Trafigura Pte Ltd ("Trafigura"). The revenue earned from CMN, CITIC Metal and Trafigura are approximately 41.4%, 18.2% and 13.5% respectively (2016: CMN and Trafigura with approximately 37.9% and 15.0% respectively) of revenue for the year. The largest debtor as at 31 December 2017 is CMN with a balance of US\$102.5 million (2016: CMN with US\$228.4 million) and the five largest debtors accounted for 88.4% (2016: 94.2%) of the Group's trade receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying. The credit risk by geographic region was:

US\$ MILLION	AS AT 31 DECEMBER	
	2017	2016
Australia	-	9.3
America	2.5	-
Europe	12.3	26.5
Asia	221.5	370.8
	236.3	406.6

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilises short and long-term cash flow forecasts and other consolidated information to ensure that appropriate liquidity buffers are maintained to support the Group's activities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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 2017					
Financial assets					
Cash and cash equivalents	936.1	-	-	-	936.1
Trade and other receivables	256.4	57.7	-	-	314.1
Derivative financial assets – (foreign exchange option contracts)	0.1	-	-	-	0.1
Derivative financial assets – gross settled					
– Inflows	11.6	-	-	-	11.6
– Outflows	(11.2)	-	-	-	(11.2)
Financial liabilities					
Trade and other payables (including accrued interest)	(730.1)	-	-	-	(730.1)
Other financial liabilities	-	(9.0)	-	(151.3)	(160.3)
Borrowings (including interest)	(1,198.1)	(951.9)	(3,475.8)	(6,063.3)	(11,689.1)
	(735.2)	(903.2)	(3,475.8)	(6,214.6)	(11,328.8)
At 31 December 2016					
Financial assets					
Cash and cash equivalents	552.7	-	-	-	552.7
Trade and other receivables	413.1	64.2	-	-	477.3
Derivative financial assets – gross settled					
– Inflows	429.4	-	-	-	429.4
– Outflows	(412.7)	-	-	-	(412.7)
Financial liabilities					
Trade and other payables (including accrued interest)	(652.6)	-	-	-	(652.6)
Derivative financial liabilities – (foreign exchange option contracts)	(1.2)	-	-	-	(1.2)
Derivative financial liabilities – gross settled					
– Inflows	124.7	10.8	-	-	135.5
– Outflows	(128.9)	(11.2)	-	-	(140.1)
Borrowings (including interest)	(1,361.6)	(3,207.1)	(2,757.4)	(6,100.1)	(13,426.2)
	(1,037.1)	(3,143.3)	(2,757.4)	(6,100.1)	(13,037.9)

The amounts presented in the tables above comprise the contractual undiscounted cash flows for non-derivative financial instruments, and therefore will not agree with the amounts presented in the consolidated statement of financial position. For derivative financial instruments, the amounts have been drawn up based on the undiscounted gross inflows and outflows that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by the prevailing market rate at the end of the reporting period.

(g) Sovereign risk

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates; changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the

jurisdictions in which the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in Governments seeking alternative means of increasing their income, including increases to corporate tax, Value Added Tax and royalty rates, in conjunction with increased audit and compliance activity. This is also coupled with Governments being unable to pay Valued Added Tax refunds to companies largely due to cashflow difficulties. The DRC Government recently proposed changes to the Mining Code. These changes, if enacted, will result in an increased tax burden on mining companies in what is already a difficult operating environment. There is also a risk that similar changes could be adopted by other nations.

Some of the countries in which the Group operates carry higher levels of sovereign risk. Political and administrative changes and reforms in law, regulations or taxation may impact sovereign risk. Political and administrative systems can be slow or uncertain and may result in risks to the Group including the ability to obtain tax refunds in a timely manner. The Group has processes in place to monitor any impact on the Group and implement responses to such changes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CONTINGENT LIABILITIES

BANK GUARANTEES

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the year, no material claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities. These guarantees amount to US\$412.7 million as at 31 December 2017 (31 December 2016: US\$383.4 million), which include certain bank guarantees amounting to A\$193.7 million (equivalent to US\$151.3 million) associated with the disposal of the Century mine, for the benefit of Century Bull.

CONTINGENT LIABILITIES

– TAX RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. The nature of the Group's activities triggers various taxation obligations including corporation tax, royalties, other resource and production based taxes and employment related taxes. The Group is subject to a range of audits and reviews by taxation authorities across many jurisdictions, the application of tax laws may be uncertain in some regards. Changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings result in uncertainty of the outcome of the application of taxes to our business. Areas of uncertainty at reporting date include the application of income taxes and withholding tax to the Group's cross-border operations and transactions. Income tax and withholding tax obligations assessed having probable future economic outflows capable of reliable measurement are provided for as a non-current provision.

CHARGES ON ASSETS

As at 31 December 2017, the borrowings of the Group were secured as follows:

(a) Approximately US\$470.0 million (2016: US\$330.0 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; 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over all of the shares in MMG Dugald River Pty Ltd (MMG Dugald River); a real property mortgage over all of the interests in land

of MMG Dugald River; a general security agreement in respect of all of the assets of MMG Dugald River; and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project and a featherweight charge over all of MMG Australia Limited's other assets (which security may now be released as MMG Australia Limited has completed the transfer of the Dugald River project assets to MMG Dugald River). This security was substantially released on 9 January 2018.

(b) Approximately US\$6,330.9 million (2016: US\$6,954.5 million) from China Development Bank Corporation, Industrial and Commercial Bank of China Limited, Bank of China Limited (Sydney Branch) and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including Minera Las Bambas S.A., a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of Minera Las Bambas S.A., assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of Minera Las Bambas S.A. These borrowings are also guaranteed on several basis by CMNH and CMCL, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in MMG SAM.

(c) Approximately US\$nil (2016: US\$488.2 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, and a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited.

FUTURE PROSPECTS

MMG expects to produce 560,000–590,000 tonnes of copper and 190,000–220,000³ tonnes of zinc in 2018.

Total capital expenditure is expected to be between US\$550 million and US\$600 million for 2018. This includes approximately US\$50 million for the completion of Dugald River (US\$274.7 million incurred in 2017).

MMG currently has no future plans for material investments or capital assets sanctioned by the Board other than those detailed in this report or announced to the market.

3. Production volumes include expected pre and post-commercial production volumes at Dugald River. The exact split will be determined when Dugald River declares commencement of commercial.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' BIOGRAPHIES

CHAIRMAN

MR GUO WENQING

Mr Guo, aged 53, was appointed as a Non-executive Director and the Chairman of the Company in February 2017.

Mr Guo is a director and the President of China Minmetals Corporation (CMC), as well as the Chairman of China Metallurgical Group Corporation (MCC Group) since May 2016 and August 2014 respectively.

Mr Guo graduated from Hebei University of Science and Technology in the People's Republic of China (PRC) with a Bachelor's degree in Business Administration. He also holds an executive MBA degree from Tsinghua University in the PRC.

From 1994 to 2002, Mr Guo served as the deputy director and, subsequently, the director of Hebei Province Highways Authority, the Chairman and the General Manager of Hebei Province Highways Development Company Limited, and the director of Hebei Province Ports Authority. From 2002 to 2008, he served as an executive director and the Deputy General Manager of CRBC International Co., Ltd. From December 2008 to July 2012, Mr Guo served as a director of Metallurgical Corporation of China Ltd. (MCC Ltd) (a company listed on The Stock Exchange of Hong Kong Limited (Hong Kong Stock Exchange) and the Shanghai Stock Exchange), and a director of MCC Group. From July 2012 to August 2014, he held positions as the Vice Chairman and the General Manager of MCC Group. Mr Guo served as the Chairman of MCC Ltd since September 2013. From August 2014 to April 2015, he served as the General Manager of MCC Group.

EXECUTIVE DIRECTORS

MR JIAO JIAN

Mr Jiao, aged 49, was redesignated from a Non-executive Director and Chairman to an Executive Director and Chief Executive Officer (CEO) of the Company in February 2017. Prior to his appointment as an Executive Director and CEO of the Company, Mr Jiao served as a Non-executive Director of the Company from December 2010 to August 2014 and a Non-executive Director and Chairman of the Company from August 2014 to February 2017. He was the Chairman of the Company's Governance and Nomination Committee and Risk Management Committee and a member of the Company's Remuneration Committee from October 2015 to February 2017. Mr Jiao is also a director of a number of subsidiaries of the Company.

Mr Jiao was appointed as the Chairman of China Minmetals Non-ferrous Metals Company Limited (CMN) in February 2016. He has been a director of CMN since December 2009.

Mr Jiao has also been a director of Hunan Nonferrous Metals Holding Group Co., Ltd. (HNG) since July 2010.

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

Mr Jiao joined the CMC and its subsidiaries (CMC Group) in 1992. He was the Vice-President of CMN from 2007 to May 2010. Mr Jiao was the President of CMN from May 2010 to January 2016. He was a director and the President of China Minmetals Non-ferrous Metals Holding Company Limited (CMNH) from December 2009 to February and January 2016, respectively. Mr Jiao was the Vice-President of CMC from December 2015 to January 2017. He was also a director of China Minmetals H.K. (Holdings) Limited (Minmetals HK) from August 2016 to March 2017.

Mr Jiao was the Chairman of China Minmetals Rare Earth Co., Ltd (a company listed on the Shenzhen Stock Exchange) and China Tungsten and Hightech Materials Co., Ltd. (a company listed on the Shenzhen Stock Exchange) from April 2010 to April 2014 and from April 2013 to March 2014 respectively. He was a director of Jiangxi Tungsten Industry Group Co., Ltd. (Jiangxi Tungsten) and China Minmetals Rare Earth Group Co. Ltd from November 2009 to August 2014 and from December 2011 to September 2016 respectively. Mr Jiao was also the Chairman of Album Enterprises Limited (Album Enterprises) and a director of Top Create Resources Limited (Top Create) from November 2011 to May 2016 and from February 2012 to May 2016 respectively. He resigned from being Chairman of Copper Partners Investment Co., Ltd. (Copper Partners Investment) in July 2016.

MR XU JIQING

Mr Xu, aged 50, was appointed as an Executive Director and Executive General Manager - Strategic Planning of the Company in May 2013. His present role title is Executive General Manager – Marketing and Risk. Prior to that, Mr Xu served as a Non-executive Director of the Company from May 2009 until May 2013 and a member of the Company's Audit Committee from July 2009 until May 2013. He is a director of a number of subsidiaries of the Company. Mr Xu was also appointed as a director of CMN in February 2016.

Mr Xu holds a Bachelor's degree in Accounting from the University of International Business and Economics in the PRC, and a Master of Business Administration degree from Saint Mary's University in Canada. He is a qualified senior accountant in the PRC, a fellowship member of the Certified General Accountants Association of Canada and a chartered professional accountant member of the Chartered Professional Accountants of British Columbia, Canada. Mr Xu has extensive experience in accounting and corporate financial management.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr Xu joined the CMC Group in 1991. He was appointed as the Manager of Finance at Minmetals Development Co. Ltd. in 1997, and was promoted to Vice General Manager in 1999 and General Manager in 2000. Mr Xu 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. He was the Chief Financial Officer (CFO) of CMN from December 2005 to November 2007 and the Vice-President and CFO of CMN from December 2007 until May 2013. Mr Xu was the Vice-President and CFO of CMNH from January 2011 until May 2013. He was the director of Album Enterprises and Top Create from December 2005 to October 2013 and from February 2012 to October 2013 respectively. Mr Xu was the director of Copper Partners Investment and HNG from March 2009 to December 2013 and from July 2010 to October 2013 respectively. He was also the director of CMNH and Jiangxi Tungsten from December 2009 to December 2014 and from April 2010 to August 2014 respectively.

NON-EXECUTIVE DIRECTORS

MR GAO XIAOYU

Mr Gao, aged 48, was appointed as a Non-executive Director of the Company in April 2011. He is a member of the Company's Audit Committee, Governance and Nomination Committee, Remuneration Committee and Risk Management Committee.

Mr Gao was appointed as the President and a director of CMN in February 2016. He has been a director of Top Create since February 2012. Mr Gao was also appointed as the Chairman of Copper Partners Investment and Album Enterprises in July 2016 and May 2016 respectively. He is also a director of certain subsidiaries of the CMC Group.

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

Mr Gao joined the CMC Group in 1993. He worked in the Futures department of China Nonferrous Metals Import and Export Corporation from 1993 to 1997. He was the General Manager of the Risk Management department of CMN from 2000 to 2009 and Vice-President of CMNH from January 2011 to January 2016. He was also Vice-President of CMN from January 2008 to February 2016.

MR ZHANG SHUQIANG

Mr Zhang, aged 51, was appointed as a Non-executive Director of the Company in February 2017. He is a member of the Company's Audit Committee and the Remuneration Committee.

Mr Zhang was appointed as a director of China Tungsten and Hightech Materials Co. Ltd (a company listed on the Shenzhen Stock Exchange) in June 2016. He has been the General Manager of the Finance Department of CMC since January 2016, a director of CMNH and CMN since February 2016 and a director of Minmetals HK since August 2016. Mr Zhang was appointed as a director of Minmetals Development Co. Ltd and Minmetals Capital Company Limited in December 2016 and April 2017 respectively. He is also a director of certain subsidiaries of the CMC Group. Mr Zhang was the Vice Chairman and a director of Xiamen Tungsten Co. Ltd (a company listed on the Shanghai Stock Exchange) from January 2014 to December 2014. He was also a director of HNG from August 2013 to January 2017.

Mr Zhang graduated from Zhejiang Metallurgical Economy College in the PRC, majoring in Financial Accounting. He also obtained a Master's degree in Economics from Wuhan University of Technology in the PRC.

Mr Zhang started his career at China National Nonferrous Metals Import & Export Corporation, working as the Financial Accountant since 1987. From 1997 to 2000, he served as the Deputy Chief of the Finance Division of China National Nonferrous Metals Industry Trading Group Corporation. From 2000 to 2002, Mr Zhang served as the Assistant General Manager of the Finance Department of China National Nonferrous Metals Industry Trading Corporation. He also served as the Assistant General Manager (from April 2002 to March 2003) and the Deputy General Manager (from March 2003 to October 2005) of the Finance Department of CMN. From October 2005 to May 2013, Mr Zhang was the Deputy General Manager of the Finance Department of CMC. From May 2013 to December 2015, he served as the Vice President and the Chief Financial Officer of CMN and CMNH. From December 2015 to January 2016, Mr Zhang was the acting Deputy General Manager of the Finance Department of CMC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR PETER CASSIDY

Dr Cassidy, aged 72, was appointed as an Independent Non-executive Director of the Company in December 2010. He is the Chairman of the Company's Remuneration Committee. Dr Cassidy is also a member of the Company's Governance and Nomination Committee and Risk Management Committee. He was a member of the Audit Committee of the Company from February 2011 to August 2016.

He has also been an independent non-executive director of Kerry Gold Mines Limited since September 2010.

Dr Cassidy is a metallurgical engineer with more than 45 years' experience in the resource and energy sectors, including more than 25 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 (2009 to 2010). He was CEO of Goldfields Limited from 1995 until its merger with Delta Gold Limited in 2002 to form Aurion Gold Limited where he remained a director until 2003. Prior to 1995, Dr Cassidy was executive director - Operations of RGC Limited. He was also a member of the Board of Advice of the Monash University Division of Mining and Resources Engineering.

Dr Cassidy has most recently been involved in the development and operation of major mining and processing projects in Australia, the PRC, Laos, Papua New Guinea and the Cote d'Ivoire.

MR LEUNG CHEUK YAN

Mr Leung, aged 66, was appointed as an Independent Non-executive Director of the Company in July 2012. He is the Chairman of the Company's Governance and Nomination Committee and a member of the Company's Audit Committee and Risk Management Committee.

Mr Leung has also been an independent non-executive director of Bank of China Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) since September 2013.

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 Bachelor of Social Science (First Class Honours) degree from the Chinese University of Hong Kong, and a Master of Philosophy degree 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.

MS JENNIFER SEABROOK

Ms Seabrook, aged 61, was appointed as an Independent Non-executive Director of the Company in July 2015. She is the Chair of the Company's Audit Committee and a member of the Company's Remuneration Committee.

Ms Seabrook holds a Bachelor's degree in Commerce from the University of Western Australia and is a chartered accountant (fellow) admitted by the Institute of Chartered Accountants in Australia, a fellow of the Australian Institute of Company Directors and a senior fellow of the Financial Services Institute of Australia (Finsia).

Ms Seabrook qualified as a chartered accountant with Touche Ross, after which she worked at senior levels in chartered accounting, capital markets and investment banking businesses. She is an experienced independent non-executive director across a wide range of industries, including mining and metals, and has significant experience as the chair and as a member of audit and risk committees for listed and unlisted public, private and government corporations. Ms Seabrook has also been a member of several advisory groups and panels including ASIC's External Advisory Group (2009 to 2013) and the Australian Takeovers Panel (2000 to 2012).

Ms Seabrook is currently an independent non-executive director of Iluka Resources Limited, a company listed on the Australian Securities Exchange (ASX), chairing its Audit and Risk Committee and being a member of its People and Performance Committee and Nominations Committee. She joined the Iluka Board in May 2008. Ms Seabrook is also an independent non-executive director of IRESS Limited, also listed on ASX, chairing its People and Performance Committee and being a member of its Audit Committee. She joined the IRESS Limited Board in August 2008. Ms Seabrook has been a senior adviser to Gresham Advisory Partners Limited since 2008 after being an executive director with Gresham Advisory Partners Limited from 1998 to 2008. She has been an independent non-executive director of Western Australia Treasury Corporation since October 2015 and is a member of its Audit Committee. She was appointed as a non-executive director, a member of the Audit and Compliance Committee and the Risk Committee of the Australian Rail Track Corporation which is owned by the Federal Government of Australia in December 2016. Ms Seabrook was also appointed as a member of the ARTC Inland Rail Board Committee in August 2017.

PROFESSOR PEI KER WEI

Professor Pei, aged 60, was appointed as an Independent Non-executive Director of the Company in July 2015. He is the Chairman of the Company's Risk Management Committee and a member of the Company's Audit Committee and Remuneration Committee.

Professor Pei holds a PhD degree in Accounting from University of North Texas, a Master's degree in Accountancy from Southern Illinois University and a Bachelor's degree in Accounting from National Chung-Hsing University (Taipei University). Professor Pei is a member of American Accounting Association.

Professor Pei is a Professor of Accountancy at W.P. Carey School of Business at Arizona State University. He has also acted as a consultant for a number of multi-national companies, including Motorola Inc., Intel Corporation, Bank of America Corporation, Dial Corporation, Raytheon Company, Cisco Systems Inc. and Honeywell International Inc..

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Professor Pei was the Executive Dean of China Programs at W.P. Carey School of Business at Arizona State University from January 2013 to June 2016 and Associate Dean from June 2003 to June 2013. He was also director of the W.P. Carey EMBA program in Shanghai and MiM Custom Corporate Program in China from June 2003 to June 2013, and Co-director of W.P. Carey DBA in Global Financial Management from June 2013 to June 2016.

Professor Pei has also been a director of Baoshan Iron & Steel Co., Ltd. (a company listed on the Shanghai Stock Exchange) since April 2012 and an external director of Baosteel Group Corporation (the holding company of Baoshan Iron & Steel Co., Ltd.) since February 2012, chairing its Audit Committee and is a member of its Strategy Committee and Nomination Committee. Prior to this, he served as an independent director, the Chairman of the Audit Committee and a member of the Compensation Committee of Baoshan Iron & Steel Co., Ltd. from 2006 to 2012.

Professor Pei has also acted as an independent non-executive director of Want Want China Holdings Limited (a company listed on the Hong Kong Stock Exchange) since November 2007, chairing its Nomination Committee and is a member of its Audit Committee, Remuneration Committee and Strategy Committee. He has been an independent non-executive director of Zhong An Real Estate Limited (a company listed on the Hong Kong Stock Exchange) since October 2007, chairing its Remuneration Committee and is a member of its Audit Committee, Nomination Committee and Governance Committee; and an independent non-executive director of Zhejiang Expressway Co., Ltd. (a company listed on the Hong Kong Stock Exchange) since June 2012, chairing its Remuneration Committee and is a member of its Audit Committee and Nomination Committee. Professor Pei is also an external director of China Merchants Group.

BIOGRAPHIES OF SENIOR MANAGEMENT

MR ROSS CARROLL, CHIEF FINANCIAL OFFICER

Mr Carroll, aged 53, was appointed as CFO and a member of the Executive Committee of the Company in December 2015, with responsibility for Commercial and Finance, Mergers and Acquisitions, Project Delivery and Exploration. He is also a director of a number of subsidiaries of the Company.

Prior to joining the Company, Mr Carroll was CEO and managing director of Macmahon Holdings Limited (a company listed on the ASX), and previously held the positions of CFO and director of International Mining, and Chief Operating Officer of Mining at Macmahon Holdings Limited. Prior to that, he was CFO of Woodside Petroleum Limited, and also worked in senior financial roles within BHP Billiton Limited.

Mr Carroll has extensive experience in the mining industry and in corporate finance, capital management and business development. He holds a Bachelor of Commerce from the University of Melbourne and is a Certified Public Accountant with the Australian Society of Certified Practising Accountants. Mr Carroll is a member of the Australian Institute of Company Directors, and was previously a member of the Executive Committee of the Western Australian Chamber of Mines.

MR GREG TRAVERS, EXECUTIVE GENERAL MANAGER - BUSINESS SUPPORT

Mr Travers, aged 59, has served on the Executive Committee of the Company since May 2014 in his capacity as Executive General Manager – Business Support. In this role, he is responsible for Human Resources, Remuneration and Benefits, Shared Business Services, Information Technology, Legal and Supply Chain. Mr Travers has been appointed as an Acting Chief Operating Officer from August 2017 to December 2017. He is also a director of a number of subsidiaries of the Company.

Mr Travers previously worked at Myer Limited from 2006 to 2014. He was director of Strategic Planning and Human Resources before being appointed Executive General Manager Business Services and Strategic Planning in 2010, responsible for a range of business areas similar to his current position (including throughout his time at Myer, Procurement, Human Resources, Occupational Health and Safety, Sustainability, Shared Services, Corporate Affairs and the company's Program Management Office) as well as leading the Office of the CEO from 2012, where he was responsible for the review and delivery of new business opportunities and strategy.

Mr Travers has experience in the mining sector, having worked with BHP in the Minerals division for seven years, mostly in human resources roles in manganese, coal and iron ore. Following this he worked for six years at Pratt Group, a privately owned paper and packaging business, and subsequently 11 years at WMC Resources. He is a former director of the Institute of Public Affairs and the Australian Mines and Metals Association.

Mr Travers holds a Bachelor of Arts degree majoring in Economics from the University of Adelaide.

**MR TROY HEY, EXECUTIVE GENERAL MANAGER –
STAKEHOLDER RELATIONS**

Mr Hey, aged 47, has served on the Executive Committee of the Company since August 2013 in his capacity as the Executive General Manager – Stakeholder Relations. In this role, he is responsible for the Safety, Health, Environment, Communications, External Relations Security and Community functions.

Prior to joining the Company as General Manager – Stakeholder and Investor Relations in April 2011, Mr Hey was the General Manager – Media and Reputation at Foster's Group since 2005. He was previously the Group Manager – Public Affairs for WMC Resources Limited, up to its acquisition by BHP Billiton in 2005. He began his career in economic and public policy consultancy at the Allen Consulting Group and Australian Centre for Corporate Public Affairs, before working across the aviation, entertainment and mining sectors.

Mr Hey has over 20 years' experience in government, media, community and investor relations, economic and public policy, industry association and communications management.

Mr Hey has dual degrees in Law and Commerce from the University of Melbourne and is the recipient of an Australia-Japan Foundation Language Scholarship at Kwansai Gakuin University, Nishinomiya, Japan.

**MR MARK DAVIS, EXECUTIVE GENERAL MANAGER
OPERATIONS – AFRICA, AUSTRALIA AND ASIA**

Mr Davis, aged 45, has served on the Executive Committee of the Company since January 2018 in his capacity as the Executive General Manager Operations – Africa, Australia and Asia.

Mr Davis joined the Company in January 2013 and was appointed as the General Manager Operational Excellence of the Company in November 2014. Prior to joining the Company, he previously worked across multiple commodities and roles including engineering, business improvement, operations and business management and as the General Manager Aluminium South Africa for BHP Billiton Limited.

Mr Davis holds a Bachelor of Metallurgical Engineering from the Royal Melbourne Institute of Technology, Melbourne.

**MR SURESH VADNAGRA, EXECUTIVE GENERAL MANAGER
OPERATIONS – AMERICAS**

Mr Vadnagra, aged 44, has served on the Executive Committee of the Company since January 2018 in his capacity as the Executive General Manager Operations – Americas.

Mr Vadnagra joined the Company in March 2011 and was appointed as the Group General Manager Operations South America in December 2016. Prior to this, he was the General Manager of the Sepon mine in Lao PDR and the General Manager Operational Excellence, where he also led the integration of Las Bambas into MMG following its acquisition in 2014. Prior to joining the Company, Mr Vadnagra previously held senior roles in Iluka Resources and BHP Billiton Limited.

Mr Vadnagra holds a Bachelor of Mechanical Engineering from the University of Western Australia, a Master of Business Administration and Post Graduate Qualifications in Sustainable Energy Development.

DIRECTORS' REPORT

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 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were exploration, development and mining of zinc, copper, gold, silver and lead deposits around the world.

The full details of the principal activities of the Company's subsidiaries are set out in Note 16 to the Consolidated Financial Statements.

An analysis of the Group's revenue for the year ended 31 December 2017 by reportable segments, together with their respective contributions to profit from operations (EBIT), is set out in Note 4 to the Consolidated Financial Statements.

STRATEGY AND BUSINESS REVIEW

MMG's objective is to be valued as one of the world's top mid-tier miners by 2020 and, in the longer term, as one of the world's top miners.

To achieve this objective, we deliver value through four strategic drivers:

- Growth - we acquire, discover and develop mining assets that transform our business;
- Transform Operations - we develop effective plans to deliver innovative growth opportunities and improve productivity;
- People and Organisation - we provide a safe, healthy and secure workplace and a culture that values collaboration, accountability and respect; and
- Reputation - we are valued for our commitment to progress, long-term partnerships and international management.

MMG's foundation has been laid. It has established its South American, African and Australian hub regions deliberately, measuredly and opportunistically. It has secured and delivered Las Bambas, a tier 1 copper asset, and successfully executed Dugald River, a world class zinc project. In parallel, MMG has simplified and improved the quality of its asset portfolio, systems and governance.

The company is focussed on containing costs, continually improving productivity, and growing its resource base. It has strengthened its balance sheet through raising equity and paying down debt, enabling the company to step into its next phase of disciplined growth.

The recent changes to the MMG Board and management structure do not change the Company's overarching strategy and the Board, together with the Executive Committee and management, will continue to drive the ongoing success of the Group's business and pursue its growth and financial objectives.

The Board is committed to sustaining the successful model that brings together the best management team from around the world and a strong relationship with China that provides understanding of Chinese markets and access to its sources of funding.

The Company remains committed to its primary listing in Hong Kong given it is an attractive market for its major investors and to source Chinese investment, and also to its secondary listing on the ASX given that Australia is an attractive market for natural resources companies and the Company's head office is located in Melbourne, Australia.

A review of the business of the Group during the year, possible risks and uncertainties that the Group may be facing, and a discussion on the Group's future business development are provided in the Chairman's Review, CEO's Report and the Management Discussion and Analysis sections.

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building good corporate and social relationships, motivating staff and creating a sustainable return to the Group. Discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on pages 70 to 75 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the largest customer and the five largest customers in aggregate accounted for approximately 41.4% and approximately 81.8% of the total sales of the Group respectively. Purchases from the five largest suppliers to the Group in aggregate accounted for approximately 15.4% of the total purchases of the Group during the year.

Apart from CMC, the ultimate controlling Shareholder, having an interest of approximately 88.4% in one of the five largest customers, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors, owned more than 5% of the total number of issued shares of the Company) 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 2017 are set out in the Consolidated Statement of Profit or Loss in the Financial Statements on page 83 of this Annual Report.

No interim dividend was declared for 2017 (2016: nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: nil).

RESERVES

Movements in reserves of the Group during the year are set out in Note 24 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2017 are set out in Note 24 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 14 to the Consolidated Financial Statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2017 are set out in Note 25 to the Consolidated Financial Statements.

During 2017, the Company and its subsidiaries continued to maintain, and entered into new, loan agreements that include conditions imposing specific performance obligations on a controlling Shareholder. A breach of such an obligation would cause a default in respect of loans that are significant to the operations of the issuer, the details of which are set out below.

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 Listing Rules, following are the details of the Group's facility agreements that contain covenants requiring specific performance obligations of the controlling Shareholders.

Facilities granted by China Development Bank Corporation and Bank of China Limited

On 13 June 2012, Album Resources and MMG Management, each a wholly owned subsidiary of the Company, entered into the 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), which was fully drawn. Such loan was repaid by instalment on specified dates set out in the facility agreement. On 3 May 2017, Album Resources repaid all amounts then outstanding on the Tranche A Facility, at which point it was cancelled.
- BOC Sydney agreed to provide MMG Management with a US\$385.0 million cash facility (Tranche B Facility), which was fully drawn. Such loan was repaid by instalment on specified dates set out in the facility agreement. On 3 May 2017, MMG Management repaid all amounts then outstanding on the Tranche B Facility, at which point it was cancelled.

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

- CMCL (formerly CMN) ceased to legally and beneficially own at least 51% of the total number of issued shares of the Company; or
- CMN (a) ceased to beneficially hold at least 51% of the total number of issued shares of Album Resources; or (b) did 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.

On 27 June 2013, the Company, MMG Dugald River and certain other subsidiaries entered into a facility agreement with CDB and BOC Sydney in relation to the financing of the development and construction of the Dugald River project for an amount up to US\$1.0 billion (Dugald River Facility). On 27 June 2016, the parties to the Dugald River Facility entered into an amendment agreement pursuant to which the Dugald River Facility was reduced to US\$550.0 million. On 9 January 2018, the Dugald River Facility was further amended to, among other things, reduce the security arrangements and relax covenant compliance requirements. The Dugald River Facility is available for drawdown until 27 June 2018, and is to be repaid by 28 June 2026. As at 31 December 2017, the amount of US\$470.0 million was drawn under the Dugald River Facility.

DIRECTORS' REPORT (CONTINUED)

Pursuant to the terms of the amended Dugald River Facility, on the occurrence of the following events (among others), CDB and/or BOC Sydney may declare all outstanding loans under the facility immediately due and payable:

- CMCL ceases to legally and beneficially own, directly or indirectly, at least 51% of the total number of issued shares of the Company; or
- CMCL ceases to have the power to (a) cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of the Company; or (b) appoint or remove all, or the majority, of the Directors or other equivalent officers of the Company; or (c) give directions with respect to the Company's operating and financial policies with which the Directors or other equivalent officers of the Company are obliged to comply.

Facility granted by Industrial and Commercial Bank of China Limited

On 22 August 2012, MMG Finance Limited was granted by ICBC a US\$150.0 million one-year term facility. On 20 August 2013, ICBC agreed to extend its facility for a further term of one year. On 20 May 2014, ICBC and MMG Finance Limited entered into a US\$300.0 million three-year loan facility, to replace the US\$150.0 million loan facility, which consists of a US\$200.0 million term facility along with a US\$100.0 million revolving facility for discretionary working capital (2014 ICBC Facility). On 30 December 2016, MMG Finance Limited prepaid all amounts then outstanding under the 2014 ICBC Facility, at which point the US\$200.0 million term tranche was cancelled. On 22 May 2017, the remaining US\$100.0 million revolving tranche of the facility expired. At that time, no amounts were outstanding.

On 22 December 2017, MMG Finance Limited entered into a restatement and amendment agreement of the 2014 ICBC Facility for the purpose of establishing a new facility (2017 ICBC Facility) pursuant to which ICBC has agreed to provide MMG Finance Limited with a US\$300.0 million revolving credit facility for a term of 3 years for general corporate purposes. As at 31 December 2017, the 2017 ICBC Facility was undrawn.

Under the 2017 ICBC Facility, an event of default will occur in the event that 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 lender 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, 22 August 2012, 27 June 2013, 20 August 2013, 20 May 2014, 27 June 2016, 23 December 2016, 22 December 2017 and 9 January 2018 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 152 to 153 of this Annual Report.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 23 to the Consolidated Financial Statements.

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately US\$569,000.

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 GUO Wenqing (Non-executive Director)
(Appointed on 15 February 2017)

EXECUTIVE DIRECTORS

Mr JIAO Jian (CEO)
(Redesignated from a Non-executive Director and Chairman of the Company on 15 February 2017)

Mr Andrew MICHELMORE (CEO)
(Resigned on 15 February 2017)

Mr XU Jiqing (Executive General Manager - Marketing and Risk)

NON-EXECUTIVE DIRECTORS

Mr GAO Xiaoyu

Mr ZHANG Shuqiang
(Appointed on 15 February 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Peter CASSIDY

Mr LEUNG Cheuk Yan

Ms Jennifer SEABROOK

Professor PEI Ker Wei

Mr Guo Wenqing and Mr Zhang Shuqiang were appointed as Non-executive Directors of the Company on 15 February 2017. Mr Guo was also appointed as the Chairman of the Company on 15 February 2017.

Mr Jiao Jian was redesignated from a Non-executive Director and Chairman to an Executive Director and CEO of the Company on 15 February 2017.

In accordance with article 98 of the articles of association of the Company and Code Provision A.4.2 in Appendix 14 of the Listing Rules, Mr Leung Cheuk Yan, Ms Jennifer Seabrook and Professor Pei Ker Wei will retire by rotation at the Company's forthcoming AGM and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the Company's forthcoming AGM 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 TRANSACTION, ARRANGEMENT OR CONTRACT 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 had a material interest, subsisted at the end of the year or at any time during the year.

LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AS AT 31 DECEMBER 2017

NAME OF DIRECTOR	NATURE OF INTEREST	NUMBER OF SHARES HELD	NUMBER OF UNDERLYING SHARES HELD		APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%) ³
			OPTIONS ¹	PERFORMANCE AWARDS ²	
JIAO Jian	Personal	–	–	7,333,333	0.09
XU Jiqing	Personal	–	6,119,962	3,356,100	0.12

Notes:

1. The Directors' interests in the underlying shares of the Company are through options granted by the Company, details of which are set out under the section headed 'Share Option Scheme' on pages 48 and 51 of this Annual Report.
2. The Directors' interests in the underlying shares of the Company are through performance awards granted by the Company, details of which are set out under the section headed 'Performance Awards' on pages 52 and 53 of this Annual Report.
3. The calculation is based on the number of shares and/or underlying shares as a percentage of the total number of issued shares of the Company (that is, 7,963,133,854 shares) as at 31 December 2017.

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

As at 31 December 2017, 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 Hong Kong 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 Hong Kong 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:

DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, as at 31 December 2017, 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 Hong Kong 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 Hong Kong 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 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2017, the interests of Directors of the Company in a business that competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules, are as follows:

1. Mr Guo Wenqing, a Non-executive Director and the Chairman of the Company, is:
 - a director and the President of CMC; and
 - the Chairman of MCC Group.
2. Mr Jiao Jian, an Executive Director and CEO of the Company (formerly a Non-executive Director and Chairman of the Company) is:
 - the Vice President of CMC (resigned in January 2017);
 - the Chairman and a director of CMN;
 - a director of Minmetals HK (resigned in March 2017); and
 - a director of HNG.
3. Mr Xu Jiqing, an Executive Director of the Company, is:
 - a director of CMN.
4. Mr Gao Xiaoyu, a Non-executive Director of the Company, is:
 - a director and the President of CMN;
 - a director of Top Create;
 - the Chairman of Album Enterprises; and
 - the Chairman of Copper Partners Investment.

5. Mr Zhang Shuqiang, a Non-executive Director of the Company, is:
 - the General Manager of the Finance Department of CMC;
 - a director CMNH;
 - a director of CMN;
 - a director of Minmetals HK;
 - a director of Minmetals Development Co. Ltd.;
 - a director of Minmetals Capital Company Limited;
 - a director of China Tungsten and Hightech Materials Co. Ltd.; and
 - a director of HNG (resigned in January 2017).

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, Copper Partners Investment and China Tungsten and Hightech Materials Co. Ltd.

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the articles of association of the Company and subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

SHARE OPTION SCHEME

2013 SHARE OPTION SCHEME

Pursuant to the options granted under the share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), there were a total of 193,270,805 options outstanding granted under 2013 Options and 2016 Options as at 31 December 2017, which represented approximately 2.43% of the total number of issued shares of the Company as at 31 December 2017.

The following is a summary of the principal terms of the 2013 Share Option Scheme:

1. Purpose

The purpose of the 2013 Share Option Scheme is 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.

2. Participants

The Company may grant an option to anyone who is an employee of the Company, its subsidiaries or any other company that is associated with the Company and is so designated by the Directors of the Company on the date of grant.

3. Total number of shares available for issue under the 2013 Share Option Scheme

The total number of shares available for issue under the 2013 Share Option Scheme is 305,753,039 shares, representing approximately 3.84% of the total number of issued shares 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 2013 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 total number of issued shares 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 10 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

The minimum period for which an 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.

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

No amount is payable upon application or acceptance of an option.

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

9. The remaining life of the 2013 Share Option Scheme

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

DIRECTORS' REPORT (CONTINUED)

2013 OPTIONS

On 9 April 2013, 13 December 2016 and 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2013 Options). There were 55,448,264 options outstanding as at 31 December 2017, which represented approximately 0.70% of the total number of issued shares of the Company as at 31 December 2017.

During the year ended 31 December 2017, the movements of the 2013 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ^{1,2,3}	EXERCISE PRICE PER SHARE ^{2,4} (HK\$)	EXERCISE PERIOD ^{2,5}	NUMBER OF OPTIONS					BALANCE AS AT 31 DECEMBER 2017
				BALANCE AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR ⁶	TRANSFERRED DURING THE YEAR ⁷	LAPSED DURING THE YEAR ⁸	
Directors									
Andrew MICHELMORE	9 April 2013 and 13 December 2016	2.51	End of vesting period to 8 April 2020	19,602,903	-	-	(19,602,903)	-	-
XU Jiqing	15 December 2016	2.51	End of vesting period to 8 April 2020	2,626,701	-	-	-	-	2,626,701
Employees of the Group	9 April 2013, 13 December 2016, and 15 December 2016	2.51	End of vesting period to 8 April 2020	79,521,989	-	(28,029,021)	-	(18,274,308)	33,218,660
Other⁷	9 April 2013 and 13 December 2016	2.51	End of vesting period to 8 April 2020	-	-	-	19,602,903	-	19,602,903
TOTAL				101,751,593	-	(28,029,021)	-	(18,274,308)	55,448,264

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK\$2.45 per share.
2. Pursuant to the terms of the long term incentive equity plan of the Company (Long Term Incentive Equity Plan), which governs (among others) the share option scheme, the exercise price and the number of shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, adjustment of options takes place on 13 December 2016, and conversion from cash-based entitlements to equity-based entitlements takes place on 15 December 2016.
3. As originally contemplated in the 2013 Long Term Incentive Cash Plan, 5,923,307 Options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long Term Incentive Cash Plan pursuant to the 2013 Share Option Scheme, to the equity equivalent of the entitlements they would have received historically under the 2013 Share Option Scheme, had they received such equity-based entitlements, rather than cash-based entitlements, at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.
4. As a result of Rights Issue, the exercise price per share was adjusted from HK\$2.62 to HK\$2.51.
5. The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, reserves and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions has resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$3.30.
7. Mr Andrew Michelmores retired as an Executive Director and Chief Executive Officer on 15 February 2017, his entitled options are still exercisable subject to the Company's long term incentive plan rules.
8. Options lapsed due to a combination of cessation of employment and non-achievement of performance conditions before the expiry of vesting period, and six months after the date the participant ceased to be an employee after the date of expiry of the vesting period.

2016 OPTIONS

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 137,822,541 options outstanding as at 31 December 2017, which represented approximately 1.73% of the total number of issued shares of the Company as at 31 December 2017.

During the year ended 31 December 2017, the movements of the 2016 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ¹	EXERCISE PRICE PER SHARE (HK\$)	EXERCISE PERIOD ²	NUMBER OF OPTIONS					
				BALANCE AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR ³	LAPSED DURING THE YEAR ⁴	BALANCE AS AT 31 DECEMBER 2017
Directors									
Andrew MICHELMORE	15 December 2016	2.29	End of vesting period to 31 December 2022	25,400,000	-	-	(25,400,000)	-	-
XU Jiqing	15 December 2016	2.29	End of vesting period to 31 December 2022	3,493,261	-	-	-	-	3,493,261
Employees of the Group	15 December 2016	2.29	End of vesting period to 31 December 2022	120,255,338	-	-	-	(11,326,058)	108,929,280
Other³	15 December 2016	2.29	End of vesting period to 31 December 2022	-	-	-	25,400,000	-	25,400,000
TOTAL				149,148,599	-	-	-	(11,326,058)	137,822,541

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of vested options subject to a 12 month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance levels achieved.
3. Mr Andrew Michelmores retired as an Executive Director and Chief Executive Officer on 15 February 2017, and his entitlement to the options granted are to be approved by the Board at end of the vesting period.
4. Options lapsed due to cessation of employment.
5. The number of options are subject to Board approval at end of the vesting period.

DIRECTORS' REPORT (CONTINUED)

PERFORMANCE AWARDS

Pursuant to the performance awards granted under the Long Term Incentive Equity Plan, there were a total of 126,076,827 performance awards outstanding as at 31 December 2017, which represented approximately 1.59% of the total number of issued shares of the Company as at 31 December 2017.

2015 PERFORMANCE AWARDS

On 19 May 2015, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2015 Performance Awards). There were 72,129,935 performance awards outstanding as at 31 December 2017, representing approximately 0.91% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2017, the movements of the 2015 Performance Awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ^{1,2}	NUMBER OF PERFORMANCE AWARDS					BALANCE AS AT 31 DECEMBER 2017
		BALANCE AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR ³	LAPSED DURING THE YEAR ⁴	
Directors							
Andrew MICHELMORE	19 May 2015 and 13 December 2016	15,771,950	-	-	(15,771,950)	-	-
XU Jiqing	19 May 2015 and 13 December 2016	1,880,100	-	-	-	-	1,880,100
Employees of the Group							
	19 May 2015 and 13 December 2016	59,417,956	-	-	-	(4,940,071)	54,477,885
Other³							
	19 May 2015 and 13 December 2016	-	-	-	15,771,950	-	15,771,950
TOTAL		77,070,006	-	-	-	(4,940,071)	72,129,935

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2015 to 31 December 2017. The time of vesting will be on or around April 2018. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the performance conditions achieved. Portion of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration.
2. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, the number of shares issuable upon exercise of 2015 Performance Awards was adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, some additional performance awards were granted on 13 December 2016.
3. Mr Andrew Michelmores retired as an Executive Director and Chief Executive Officer on 15 February 2017, and his entitlement to the performance awards granted are to be approved by the Board at end of the vesting period.
4. Performance awards lapsed due to cessation of employment.

2017 PERFORMANCE AWARDS

On 31 August 2017, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2017 Performance Awards). There were 53,946,892 performance awards outstanding as at 31 December 2017, representing approximately 0.68% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2017, the movements of the 2017 Performance Awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ¹	NUMBER OF PERFORMANCE AWARDS					BALANCE AS AT 31 DECEMBER 2017
		BALANCE AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR ²	
Directors							
JIAO Jian	31 August 2017	-	7,333,333	-	-	-	7,333,333
XU Jiqing	31 August 2017	-	1,476,000	-	-	-	1,476,000
Employees of the Group	31 August 2017	-	45,582,003	-	-	(444,444)	45,137,559
TOTAL		-	54,391,336	-	-	(444,444)	53,946,892

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019. The time of vesting will be on or around April 2020. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

DIRECTORS' REPORT (CONTINUED)

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 2017, the following persons had interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, that 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 AS AT 31 DECEMBER 2017

NAME OF SUBSTANTIAL SHAREHOLDER	CAPACITY	NUMBER OF SHARES HELD ¹	APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%) ²
China Minmetals Corporation (CMC)	Interest of controlled corporations	5,847,166,374	73.43
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations	5,847,166,374	73.43
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations	5,847,166,374	73.43
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations	5,847,166,374	73.43
Album Enterprises Limited (Album Enterprises)	Interest of controlled corporations	5,847,166,374	73.43
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner	5,847,166,374	73.43

Notes:

- As disclosed in the announcements of the Company dated 7 January 2016 and 16 November 2017 in relation to a share transfer which forms part of an internal restructuring to be implemented by CMC, the ultimate controlling shareholder of the Company (Share Transfer) and the completion of the Share Transfer on 15 November 2017 respectively (and associated filings under the provisions of Divisions 2 and 3 of Part XV of the SFO), Minmetals HK held in total 5,847,166,374 shares of the Company after the Share Transfer which in turn is owned as to approximately 39.04%, 38.95% and 22.01% by CMCL, Album Enterprises and Top Create Resources Limited respectively. Album Enterprises and Top Create Resources Limited are wholly owned by CMN, which in turn is owned as to approximately 99.999% and 0.001% by CMNH and CMCL respectively. 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, each of CMC, CMCL, CMNH, CMN and Album Enterprises was deemed as interested in the 5,847,166,374 shares of the Company held by Minmetals HK.
- 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 (that is, 7,963,133,854 shares) of the Company as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, 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 who was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was recorded in the register required to be kept by the Company under Section 336 of the SFO.

This loan was repaid, with accrued interest, by Album Enterprises on 24 January 2017. The loan expired on 22 December 2017.

Album Enterprises is a substantial Shareholder, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Album Loan Facility No. 1 constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2017 the Group had the following material connected transactions, details of which are set out below:

- On 23 December 2016, MMG Finance Limited entered into a one-year loan facility agreement with Album Enterprises pursuant to which MMG Finance Limited agreed to make available to Album Enterprises up to US\$95.0 million for the working capital requirements of Album Enterprises (Album Loan Facility No. 1). During the year ended 31 December 2016, a loan of US\$95.0 million was advanced under the Album Loan Facility No. 1.

- On 18 October 2017, MMG Dugald River Pty Ltd entered into an agreement with Minmetals North-Europe AB in relation to the sale of approximately 10,000 dry metric tonnes of zinc concentrates produced at the Dugald River mine valued at approximately US\$12.0 million (Dugald River Zinc Concentrate Sale Agreement). The delivery of zinc concentrates pursuant to the agreement took place in December 2017.

Minmetals North-Europe is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. As a result, the Dugald River Zinc Concentrate Sale Agreement constitutes a connected transaction for the Company.

3. On 5 December 2017, the Company announced that it had resolved to satisfy the Performance Awards in respect of the 2015 Performance Awards and the 2017 Performance Awards, to the extent they vest in accordance with their terms, by way of issue and allotment of an aggregate of up to 126,521,271 new Award Shares pursuant to the General Mandate. Certain participants under the Company's Long Term Incentive Equity Plan are directors of the Company and/or directors of Significant Subsidiaries of the Company. Accordingly, the proposed issuance of new Award Shares by the Company to such participants, to the extent that the relevant performance awards vest in accordance with their terms, will constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and shall be subject to, among others, approval by the Independent Shareholders of the Company at an extraordinary general meeting.

On 14 February 2018, the Company dispatched (i) a Circular to provide shareholders with details of the issue of new Award Shares, advice from the Independent Board Committee and advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, in relation to the issue of new Award Shares and (ii) a Notice of Meeting to Shareholders convening an extraordinary general meeting of Shareholders on 8 March 2018 at which the issue of Award Shares will be considered.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group had the following material continuing connected transactions, details of which are set out below:

1. On 27 June 2014, MMG SA entered into an agreement with CMN in relation to the sale of copper concentrate to be purchased by MMG SA from the Las Bambas Project to the CMN Group (Las Bambas CMN Copper Sale Framework Agreement), subject to the approval of the Independent Shareholders. The Independent Shareholders approved the Las Bambas CMN Copper Sale Framework Agreement, and the proposed annual caps on sales, at an extraordinary general meeting of the Company held on 21 July 2014.

On 11 January 2016, pursuant to the terms of the Las Bambas CMN Copper Sale Framework Agreement, MMG SA and CMN entered into an agreement to set out the specific terms on which the sale and purchase of the copper concentrate between CMN and MMG SA will be made (Las Bambas CMN Copper Concentrate Offtake Agreement).

In accordance with the Las Bambas CMN Copper Sale Framework Agreement, the term of the Las Bambas CMN

Copper Concentrate Offtake Agreement is for the term of the life of the Las Bambas mine. The annual caps with respect to the Las Bambas CMN Copper Sale Framework Agreement are set as a fixed quantity of copper contained in copper concentrate from the Las Bambas Project to be sold by MMG SA to members of the CMN Group in a year, which for the year commencing 1 January 2017 was set at 354,000 tonnes. During the year ended 31 December 2017 approximately 258,619 tonnes of copper contained in copper concentrate were sold by MMG SA to members of the CMN Group under the Las Bambas CMN Copper Concentrate Offtake Agreement.

CMN is a controlling Shareholder, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Las Bambas CMN Copper Sale Framework Agreement and Las Bambas CMN Copper Concentrate Offtake Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

2. On 24 March 2015, the Company announced that it had entered into an agreement with CMN in relation to the sale of copper cathodes by LXML to the CMN Group (Copper Cathode Sales Framework Agreement), subject to the approval of the Independent Shareholders, for the period from 1 January 2015 to 31 December 2017. The Independent Shareholders approved the Copper Cathode Sales Framework Agreement, and the proposed annual caps on sales, at the Company's AGM held on 20 May 2015.

The annual cap for sales under the Copper Cathode Sales Framework Agreement for the year ended 31 December 2017 was US\$188.0 million. The total value of sales of copper cathode by the Company to CMN during the year ended 31 December 2017 was approximately US\$76.7 million. The agreement expired on 31 December 2017.

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

3. On 11 January 2016, pursuant to the Shareholders' Agreement, Minera Las Bambas S.A. (MLB) and CITIC Metal Peru Investment Limited (CITIC) entered into an agreement for the sale and purchase of CITIC's entitlement to copper concentrate from the Las Bambas Mine (CITIC Copper Concentrate Offtake Agreement).

The term of the CITIC Copper Concentrate Offtake Agreement is for the term of the life of the Las Bambas mine. The annual caps with respect to the CITIC Copper Sale Framework Agreement are set as a fixed quantity

DIRECTORS' REPORT (CONTINUED)

of copper contained in copper concentrate from the Las Bambas Project to be sold by MLB to CITIC in a year, which for the year commencing 1 January 2017 was set at 162,000 tonnes. During the year ended 31 December 2017, approximately 117,515 tonnes of copper contained in copper concentrate were sold by MLB to CITIC under the CITIC Copper Concentrate Offtake Agreement.

As CITIC controls more than 10% of the total number of issued shares of MMG SAM, it is a substantial shareholder of the JV Company. The Buyer is therefore a connected person of the Company and the transactions contemplated under the CITIC Copper Concentrate Offtake Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

4. On 1 March 2016, the Company announced that it had entered into an agreement with Minmetals Logistics Group Co. Ltd. (Minmetals Logistics) in relation to the provision of ocean transport by Minmetals Logistics for the shipment of the products of the Group (Shipping Framework Agreement) for the period from 1 March 2016 to 31 December 2018.

The annual cap for purchases under the Shipping Framework Agreement for the year ended 31 December 2017 was US\$5.0 million. During the year ended 31 December 2017, no shipping services were purchased by the Company from Minmetals Logistics.

Minmetals Logistics is a wholly owned subsidiary of CMC, the ultimate controlling Shareholder, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. Accordingly, the Shipping Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

5. On 13 July 2017 (Hong Kong time), the Company announced that (i) Minera Las Bambas and China Minmetals Nonferrous Metals Peru SAC (Minmetals Peru) entered into the Las Bambas Grinding Media Supply Agreement for the Las Bambas operation for an initial term of 6 months, and (ii) MMG Australia and Minmetals Australia Pty Ltd (Minmetals Australia) entered into the Australian Operations Grinding Media Supply Agreement for the Australian operations for an initial term of 24 months (together, the Grinding Media Supply Agreements).

On 22 December 2017 (Hong Kong time), Minera Las Bambas elected to exercise its first option to extend the Las Bambas Grinding Media Supply Agreement for a further period of 12 months.

The maximum aggregate amount to be paid in 2017 under (i) the Las Bambas Grinding Media Supply Agreement

was approximately US\$8.0 million and (ii) the Australian Operations Grinding Media Supply Agreement was approximately US\$1.75 million. For the year ended 31 December 2017, there were no transactions under the Grinding Media Supply Agreements.

Both Minmetals Peru and Minmetals Australia are each wholly owned subsidiaries of CMC and are therefore associates of CMC and a connected person of the Company under the Listing Rules. Accordingly, the Grinding Media Supply Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

6. On 19 September 2017, MMG Australia Limited entered into an agreement with Album Trading in relation to the sale of concentrate by MMG Australia Limited to Album Trading (Rosebery Concentrate Sales Agreement) for the period from 1 January 2018 to 31 December 2019.

The annual cap for sales under the Rosebery Concentrate Sales Agreement for each of the years ending 31 December 2018 and 2019 is US\$25.0 million.

Album Trading is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and a connected person of the Company under the Listing Rules. Accordingly, the Rosebery Concentrate Sales Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

7. On 10 November 2017, the Company announced that LXML had entered into an agreement with CMN, in relation to the sale of copper cathodes by LXML to CMN during 2018 (2018 Copper Cathode Sales Agreement). The annual cap for sales under the 2018 Copper Cathode Sales Agreement for the financial year ending 31 December 2018 is US\$118.0 million.

CMN is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the Copper Cathode Sales Agreement constitutes a continuing connected transaction for the Company.

8. On 8 December 2017, MMG Dugald River Pty Ltd entered into an agreement in relation to the sale of zinc concentrates produced at the Dugald River mine to Minmetals North-Europe during 2018 (2018 Dugald River Zinc Concentrate Sales Agreement).

The annual cap for sales under the 2018 Dugald River Zinc Concentrate Sales Agreement for the financial year ending 31 December 2018 is US\$123.0 million.

Minmetals North-Europe is a wholly owned subsidiary of CMC, the ultimate controlling shareholder of the Company, and is therefore an associate of CMC and

a connected person of the Company under the Listing Rules. As a result, the 2018 Dugald River Zinc Concentrate Sales Agreement constitutes a continuing connected transaction for the Company.

9. On 20 December 2017, MMG Finance Limited entered into a one-year loan facility agreement with Album Enterprises pursuant to which MMG Finance Limited agreed to make available to Album Enterprises up to US\$120.0 million for the working capital requirements of Album Enterprises (Album Loan Facility No. 2). During the year ended 31 December 2017, a loan of US\$120.0 million was advanced under the Album Loan Facility No. 2. This loan was repaid, with accrued interest, by Album Enterprises in January 2018.

Album Enterprises is a substantial Shareholder, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Album Loan Facility No. 2 constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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 2017 are set out below:

10. 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 2017, no amounts were advanced or outstanding under the Grandfathered MMG Loan Facility.

Album Enterprises is a substantial Shareholder, 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.60 in respect of this transaction.

11. 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, among 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 2017, the actual amount payable under the MEPA was approximately US\$18.5 million, being an aggregated amount of all taxes and royalties payable to the Government of Laos pursuant to the MEPA.

The Government of Laos 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.60 in respect of these transactions subject to Listing Rule 14A.101 and the terms of the waiver of the Listing Rules discussed below.

The Company has followed its pricing policies and guidelines when determining the price and terms of the connected transactions and continuing connected transactions conducted during the year.

WAIVER OF LISTING RULES

On 12 April 2012 the Company announced that it had applied to the Hong Kong Stock Exchange, and the Hong Kong 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.71 of the Listing Rules. The continuing connected transactions described above in item 11 has been reported in accordance with these requirements.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions described above for the year ended 31 December 2017 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 better; and
- (c) in accordance with the respective terms of the Las Bambas CMN Copper Sale Framework Agreement, the Las Bambas CMN Copper Concentrate Offtake Agreement, the Copper Cathode Sales Framework Agreement, the CITIC Copper Concentrate Offtake Agreement, the Shipping Framework Agreement, the Grinding Media Supply Agreements, the Rosebery Concentrate Sales Agreement, the 2018 Copper Cathode Sales Agreement, the 2018 Dugald River Zinc Concentrate Sales Agreement, the Album Loan Facility No. 2 and the MEPA that are fair and reasonable, in the interests of the Shareholders 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 (Revised) '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 their unqualified letter containing its conclusion in respect of the continuing connected transactions for the year ended 31 December 2017 disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In addition, the auditor of the Company has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions (other than those continuing connected transactions that were subject to the Laos Waiver) for the year ended 31 December 2017:

- (a) have not been approved by the Board;
- (b) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods by the Group;

(c) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(d) the Las Bambas CMN Copper Sale Framework Agreement, the Las Bambas CMN Copper Concentrate Offtake Agreement, the Copper Cathode Sales Framework Agreement, the CITIC Copper Concentrate Offtake Agreement, the Shipping Framework Agreement, the Grinding Media Supply Agreements and the Album Loan Facility No. 2 have not exceeded the respective annual caps as disclosed in the announcements of the Company.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

On 22 July 2014 Top Create, a subsidiary of CMN, a controlling Shareholder, extended a loan facility in the principal sum of US\$2,262.0 million to MMG SA for a term of four years for the purpose of acquiring the Las Bambas Project.

On 29 December 2017, the Company announced that the loan facility was amended by the parties for the purpose of (among other things) extending the term of the loan from four years to eleven years. 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 54 to 55 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 31 to the Consolidated Financial Statements.

Related party transactions set out in Notes 31(a) and 31(d) to the Consolidated Financial Statements 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 2017, 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 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 and performance awards as incentives to the Executive Directors and eligible employees. Details of the share option schemes and performance awards are set out under the sections headed 'Share Option Scheme' and 'Performance Awards'. 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 12 to the Consolidated Financial Statements.

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors and senior management of the Company are set out on pages 39 to 43 of this Annual Report.

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu was appointed as the independent auditor of the Company upon the retirement of PricewaterhouseCoopers at the AGM held on 25 May 2016.

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu who will retire at the forthcoming AGM, and being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 60 to 69 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

On 29 December 2017, the Company announced that one of its subsidiaries, Topstart, had issued a notice to Alber Holdings Company Limited advising of its election

to redeem all of the Convertible Redeemable Preference Shares on issue. The redemption took effect on 8 January 2018.

On 9 January 2018, the Company announced that members of the Group, China Development Bank and Bank of China (Sydney Branch) had entered into certain security release documentation and an agreement amending and restating the Dugald River facility, for the purpose of reducing the security arrangements including releasing all guarantors other than CMC and making other amendments as required to reflect this, including but not limited to the removal of certain undertakings, representations, warranties and covenant compliance requirements. As a result of this transaction, the security over the shares in and assets of MMG Dugald River project became the only substantive remaining security in relation to the Dugald River facility.

On 24 January 2018, the Company announced that the shareholders of Minera Las Bambas S.A. had resolved to use surplus funds to prepay US\$500.0 million of borrowings under the Las Bambas Project Facility. The prepayment took effect on 31 January 2018.

DEMOCRATIC REPUBLIC OF CONGO MINING CODE

On 26 January 2018, the Congolese Senate passed the revised DRC mining code. The proposed mining code has been submitted to the President of the DRC for approval, although the changes to the Mining Code have not been enacted at the time of the issuance of the financial statements. The Group along with other industry participants are actively engaged in discussion with the DRC Government to negate any negative financial outcomes. Should the negotiations be unsuccessful and the current proposals be effected the asset is likely to require impairment.

The Group will continue to update its analysis of the impact of the changes to the DRC Mining Code as more information becomes available. At this stage, the Group is not able to reliably estimate the impact of the proposed changes to the DRC Mining Code.

MMG will continue to work with the Congolese government to better understand and influence the application of the new measures.

Other than the matters outlined in this Annual Report, 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.



By order of the Board
GUO Wenqing
Chairman
7 March 2018

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017, except for the deviations from code provision A.4.1 as explained under the section headed 'Re-election of Directors' and also code provision E.1.2 as explained below.

Code provision E.1.2 requires the Chairman of the Board to attend and answer questions at the AGM. Mr Guo Wenqing, the Chairman of the Board, was not available for the Company's AGM held on 24 May 2017 as he was indisposed and unfit to travel. Accordingly, Dr Peter Cassidy, an Independent Non-executive Director, the Chairman of the Remuneration Committee, and a member of the Governance and Nomination Committee and the Risk Management Committee of the Company, was nominated by the Board to take the chair of the said meeting.

The Company adopted a Board Charter to outline the manner in which its constitutional powers and responsibilities will be exercised, delegated and discharged, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter is adopted on the basis that strong corporate governance can add to the performance of the Company, create Shareholder value and engender the confidence of the investment market.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code and the Securities Trading Model Code during the year ended 31 December 2017.

BOARD

COMPOSITION

The Board currently comprises nine Directors of which two are Executive Directors, three are Non-executive Directors and four are Independent Non-executive Directors.

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

Executive Directors

Mr JIAO Jian (CEO)
(Redesignated from a Non-executive Director and Chairman of the Company on 15 February 2017)

Mr XU Jiqing (Executive General Manager – Marketing and Risk)

Non-executive Directors

Mr GUO Wenqing (Chairman)
(Appointed on 15 February 2017)

Mr GAO Xiaoyu

Mr ZHANG Shuqiang
(Appointed on 15 February 2017)

Independent Non-executive Directors

Dr Peter CASSIDY

Mr LEUNG Cheuk Yan

Ms Jennifer SEABROOK

Professor PEI Ker Wei

The current Board possesses an appropriate balance of skills, experience and diversity of perspectives relevant to the management of the Company's business. The Directors' biographical information is set out on pages 39 to 43 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 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 the Directors.

All Directors are required to comply with Rule 3.08(d) of the Listing Rules to avoid actual and potential conflicts of interest and duty at all times. Directors are required to declare their interest in the matters to be considered at each Board meeting and Board committee meeting. If a Director or any of his/her associates has material interest in the matter to be considered, the Director will not be counted in the quorum, nor allowed to vote at the meeting. The Director may also be required to withdraw from the meeting during discussion of the matter.

Board meetings are held regularly, approximately six times a year, 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 electronic means of communication.

During the year ended 31 December 2017, other than resolutions passed in writing by all the Directors, the Company held six regular Board meetings and one ad hoc Board meeting. An AGM was held on 24 May 2017.

The attendance of each Director at the Board meetings and the AGM during the year ended 31 December 2017 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.

DIRECTORS	NUMBER OF MEETINGS ATTENDED	
	BOARD MEETINGS	AGM
EXECUTIVE DIRECTORS		
JIAO Jian ¹	7/(7)	1/(1)
XU Jiqing	7/(7)	1/(1)
Andrew MICHELMORE ²	1/(1)	0/(0)
NON-EXECUTIVE DIRECTORS		
GUO Wenqing (Chairman) ³	4/(7)	0/(1)
GAO Xiaoyu	6/(7)	0/(1)
ZHANG Shuqiang ⁴	6/(7)	1/(1)
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Peter CASSIDY	7/(7)	1/(1)
LEUNG Cheuk Yan	7/(7)	1/(1)
Jennifer SEABROOK	7/(7)	1/(1)
PEI Ker Wei	7/(7)	1/(1)

Notes:

1. Redesignated from a Non-executive Director and Chairman to an Executive Director and CEO of the Company on 15 February 2017.
2. Resigned as an Executive Director and CEO of the Company on 15 February 2017.
3. Appointed as a Non-executive Director and Chairman of the Company on 15 February 2017.
4. Appointed as a Non-executive Director of the Company on 15 February 2017.

BOARD DIVERSITY

The Company has developed the Board Diversity Statement recognising and embracing the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, the Company has considered Board diversity from a number of aspects,

including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidate will bring to the Board.

The Board comprises members from a diverse background. Two of the Independent Non-executive Directors (one of whom is also the Chair of the Audit Committee) are qualified accountants. Another Independent Non-executive Director is a qualified solicitor. Seven Directors have experience sitting on the boards of other companies listed on the stock exchanges of Hong Kong, the PRC and Australia. Collectively the Directors have extensive experience in the metals and mining industry, trading, finance and accounting, business strategy, law, enterprise risk management and exposure or experience in various countries. Some of them are members of professional and/or industry bodies and/or academic institutions.

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board currently is Mr Guo Wenqing and the CEO of the Company is Mr Jiao Jian. 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 the Group's overall strategies and policies, ensures the Board's effective performance 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

EXECUTIVE DIRECTORS AND EXECUTIVE COMMITTEE

The Board has delegated the management of the Group's day-to-day operations 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 Group's businesses.

Mr Marcelo Bastos resigned as the Chief Operating Officer of the Company in August 2017. During the period from August 2017 to December 2017, Mr Greg Travers was appointed as the Acting Chief Operating Officer of the Company. In January 2018, Mr Mark Davis and Mr Suresh Vadnagra were appointed as the Executive General Manager Operations – Africa, Australia and Asia and Executive General Manager Operations – Americas of the Company respectively.

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

Mr JIAO Jian (CEO and Executive Director)
(Redesignated from the Chairman and Non-executive Director of the Company on 15 February 2017);

Mr XU Jiqing (Executive General Manager - Marketing and Risk and Executive Director);

Mr Ross CARROLL (CFO);

Mr Greg TRAVERS (Executive General Manager - Business Support);

Mr Troy HEY (Executive General Manager - Stakeholder Relations);

Mr Mark DAVIS (Executive General Manager Operations – Africa, Australia and Asia); and

Mr Suresh VADNAGRA (Executive General Manager Operations – Americas).

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 four Independent Non-executive Directors and two of them have 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 2017 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 entered into a service agreement with the Company for a specific term of three years, except for Dr Peter Cassidy. Dr Cassidy's appointment agreement commenced on 31 December 2010 and continues until either the Company or he terminates such agreement by serving on the other not less than one month's prior written notice.

In accordance with the Company's articles of association, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next 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, is also subject to retirement from the Board by rotation at least once every three years at the AGM. Since Dr Cassidy has been appointed, he has been re-elected by the Shareholders at three AGMs of the Company. These AGMs were held in 2011, 2013 and 2016.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director receives a briefing and orientation on his/her legal and other responsibilities as a listed company director and the role of the Board. He/she also receives 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 have participated in continuous professional development by attending seminars and/or conferences and/or forums and/or in-house trainings 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 toward continuous professional training. All Directors provided a record of training to the Company. A summary of training attended by the Directors for the year ended 31 December 2017 is set out below:

DIRECTORS	TYPES OF TRAINING (NOTE)
EXECUTIVE DIRECTORS	
JIAO Jian	1, 2, 3
XU Jiqing	1, 2, 3
NON-EXECUTIVE DIRECTORS	
GUO Wenqing	1, 2, 3
GAO Xiaoyu	1, 3
ZHANG Shuqiang	1, 3
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY	1, 3
LEUNG Cheuk Yan	1, 3
Jennifer SEABROOK	1, 2, 3
PEI Ker Wei	1, 2, 3

Notes:

1. Attending seminars and/or conferences and/or forums and/or in-house trainings.
2. Delivering speeches/presentations at seminars and/or conferences and/or forums.
3. 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

There are four Board committees, namely the Audit Committee, the Remuneration Committee, the Governance and Nomination Committee and the Risk Management Committee, for overseeing particular aspects of the Company's affairs.

AUDIT COMMITTEE

The Audit Committee currently comprises five members including three Independent Non-executive Directors, namely Mr Leung Cheuk Yan, Ms Jennifer Seabrook and Professor Pei Ker Wei and two Non-executive Directors, namely Mr Gao Xiaoyu and Mr Zhang Shuqiang. Mr Zhang Shuqiang was appointed as a member of the Audit Committee on 15 February 2017. Ms Seabrook is the Chair of the Audit Committee.

The Audit Committee is accountable to the Board. It focuses primarily on financial reporting related matters, such as reviewing financial information and overseeing financial reporting related systems and controls.

The Audit Committee is principally responsible for monitoring the relationship with the Company's external auditor, reviewing the financial information of the Company (including its treasury and tax functions) and the oversight of

the Group's financial reporting system. The Audit Committee is also principally responsible for monitoring the relationship with the Company's internal auditor and financial risk management and financial internal control systems. The terms of reference of the Audit Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2017, the Audit Committee held four meetings. The Committee reviewed financial reporting matters, the Company's Financial Statements, annual and interim reports, the connected transactions and the continuing connected transactions entered into by the Group and the audit fees for the year ended 31 December 2017. It also reviewed the external audit scope and plans and audit findings, internal audit plans and audit findings, financial risk, treasury, capital management plans and tax matters, and the programs for Audit Committee activities for 2017 and 2018. The Committee discussed with senior management the independence of the external auditors and the effectiveness of the external and internal audit process. The Committee also undertook technical training in areas of financial significance to the Group.

The attendance of each member at the Audit Committee meetings for the year ended 31 December 2017 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	
GAO Xiaoyu	4/(4)
ZHANG Shuqiang ¹	4/(4)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
LEUNG Cheuk Yan	4/(4)
Jennifer SEABROOK (Chair)	4/(4)
PEI Ker Wei	4/(4)

Note:

1. Appointed as a member of the Audit Committee on 15 February 2017.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises five members including three Independent Non-executive Directors, namely Dr Peter Cassidy, Ms Jennifer Seabrook and Professor Pei Ker Wei and two Non-executive Directors, namely Mr Gao Xiaoyu and Mr Zhang Shuqiang. On 15 February 2017, Mr Jiao Jian's position as a member of the Remuneration Committee was replaced by Mr Zhang Shuqiang. Dr Cassidy is the Chairman of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Remuneration Committee is principally responsible for determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the Group remuneration policy and the remuneration of Non-executive Directors and Independent Non-executive Directors. The terms of reference of the Remuneration Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2017, the Remuneration Committee held six meetings. The Committee reviewed the annual remuneration of Directors and senior management, the senior management market remuneration, 2017 and 2018 long term incentive plans, 2017 and 2018 short term incentive plans, the vesting planning for the 2015 and 2017 long term incentive plans and the contracts for the Directors and senior management. It also reviewed the remuneration for the CEO and the two Executive General Manager Operations appointed during the year.

The attendance of each member at the Remuneration Committee meetings for the year ended 31 December 2017 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 Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
NON-EXECUTIVE DIRECTORS	
JIAO Jian ¹	1/(1)
GAO Xiaoyu	6/(6)
ZHANG Shuqiang ²	4/(5)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY (Chairman)	6/(6)
Jennifer SEABROOK	6/(6)
PEI Ker Wei	6/(6)

Notes:

1. Ceased as a member of the Remuneration Committee on 15 February 2017.
2. Appointed as a member of the Remuneration Committee on 15 February 2017.

GOVERNANCE AND NOMINATION COMMITTEE

The Governance and Nomination Committee currently comprises three members including two Independent Non-executive Directors, namely Dr Peter Cassidy and Mr Leung Cheuk Yan, and one Non-executive Director, Mr Gao Xiaoyu. Mr Jiao Jian's position as the Chairman of the Governance and Nomination Committee was replaced by Mr Leung Cheuk Yan and Mr Gao Xiaoyu was appointed as a member of the Governance and Nomination Committee on 15 February 2017.

The Governance and Nomination Committee is principally responsible for developing and reviewing the Group's policies and practices on corporate governance, the Code of Conduct, monitoring the Group's compliance with the Listing Rules and other applicable laws, monitoring the training and continuous professional development of Directors and senior management, reviewing the terms of references of all the committees and reviewing and recommending to the Board for approval the Corporate Governance Report for inclusion in the Company's Annual Report. The Governance and Nomination Committee is also responsible for formulating the policy for nomination of Directors and to lead the process of identifying and nominating candidates suitably qualified to become Board members. It also reviews the structure, size and composition of the Board and succession plans for Directors and senior management. The terms of reference of the Governance and Nomination Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2017, the Governance and Nomination Committee held five meetings. The Committee reviewed the Board Charter, the Authority Standard and the Safety, Health, Environment and Community Policy. It also reviewed the 2017 Disclosure Reports, the performance review and evaluation of the Board, the Directors and senior management training program, the Corporate Governance Report for inclusion in the annual report, the code of conduct register, the programs for Governance and Nomination Committee activities for 2017 and 2018 and the replacement update of the Chief Operating Officer arising from his resignation.

The attendance of each member at the Governance and Nomination Committee meetings for the year ended 31 December 2017 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 Governance and Nomination Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
NON-EXECUTIVE DIRECTORS	
JIAO Jian ¹	1/(1)
GAO Xiaoyu ²	4/(4)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY	5/(5)
LEUNG Cheuk Yan (Chairman) ³	5/(5)

Notes:

1. Ceased as member and the Chairman of the Governance and Nomination Committee on 15 February 2017.
2. Appointed as a member of the Governance and Nomination Committee on 15 February 2017.
3. Appointed as the Chairman of the Governance and Nomination Committee on 15 February 2017.

The Company's Mineral Resources and Ore Reserves Committee and the Disclosure Committee also report to the Governance and Nomination Committee.

The Mineral Resources and Ore Reserves Committee is responsible for overseeing the Mineral Resources and Ore Reserves reporting process and ensuring its compliance with the Listing Rules and JORC Code.

The Disclosure Committee is responsible for advising on disclosure obligations of the Company. The Company has adopted a Disclosure Framework to ensure its compliance with the disclosure obligations under the Listing Rules and the timely disclosure of inside information to the market. The Disclosure Committee comprises the CEO, Executive General Manager – Marketing and Risk, CFO, Executive General Manager – Stakeholder Relations, the General Counsel and the Company Secretary. The Disclosure Framework requires employees to refer all information that potentially requires disclosure to a member of the Disclosure Committee.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee currently comprises four members including three Independent Non-executive Directors, namely Dr Peter Cassidy, Mr Leung Cheuk Yan and Professor Pei Ker Wei and one Non-executive Director, Mr Gao Xiaoyu. Mr Jiao Jian's position as the Chairman of the Risk Management Committee was replaced by Professor Pei Ker Wei on 15 February 2017.

The Risk Management Committee is principally responsible for overseeing the Company's risk management and internal control systems and reviewing the risks associated with the Group strategy, and making recommendations to the Board for consideration and approval. The terms of reference of the Risk Management Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2017, the Risk Management Committee held four meetings. The Committee reviewed the Risk Management Framework including the Risk Management Standard, risk management reports and material risk analyses. It also reviewed the internal audit reports and plans for non-financial risks, Insurance Program including the renewals of the annual insurance and the directors and officers insurance and the programs for Risk Management Committee activities for 2017 and 2018.

The attendance of each member at the Risk Management Committee meetings for the year ended 31 December 2017 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 Risk Management Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
NON-EXECUTIVE DIRECTORS	
JIAO Jian ¹	0/(0)
GAO Xiaoyu	3/(4)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY	4/(4)
LEUNG Cheuk Yan	4/(4)
PEI Ker Wei (Chairman) ²	4/(4)

Notes:

1. Ceased as member and the Chairman of the Risk Management Committee on 15 February 2017.
2. Appointed as the Chairman of the Risk Management Committee on 15 February 2017.

SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY COMMITTEE

The Safety, Health, Environment and Community (SHEC) Committee is a management committee reporting directly to the CEO. This allows for streamlined reporting of all material SHEC matters to the Board. The Board receives SHEC reports along with the CEO monthly reports, providing an overview of any material SHEC matters. Material SHEC matters are referred to the Board through the CEO's report section of the Board agenda as a standing item.

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 2017 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 the 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. The Directors, having made appropriate enquiries, were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Please refer to Note 2.1 to the Consolidated Financial Statements for further details.

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

The statement of the Company's auditor regarding its responsibilities for the Financial Statements is set out in the Independent Auditor's Report on pages 76 to 81 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Risk Management Committee assists the Board with regard to the oversight of the Company's risk management and internal control systems and practices.

The Risk and Audit function in MMG supports the Risk Management Committee and line management by:

- Establishing and maintaining Group-wide Standards relating to risk management and assurance;
- Undertaking internal audits to test compliance with Group Standards and legal obligations and to assess the adequacy and effectiveness of critical controls to material risks;
- Reporting control weakness and non-compliances at MMG's operations;
- Monitoring critical control failings across the industry and assessing implications for MMG;
- Monitoring and reporting closeout of management-agreed actions to improve control effectiveness or to correct non-compliances; and
- Monitoring the Group's risk profile and reporting substantive changes in the risk profile.

The company's risk management and internal audit processes are subject to periodic, independent external assessment against relevant International Standards and industry best practice.

The annual internal audit plan is approved by the Audit Committee. Its focus is on material risks to the business; both financial and non-financial risks.

The Audit Committee is responsible for ensuring that there is appropriate co-ordination between internal and external audit. It is also responsible for ensuring that internal audit is adequately resourced and has appropriate standing within the Group. It also reviews and monitors the effectiveness of internal audit.

MMG's Internal Audit Procedure requires the Risk and Audit Group to maintain its independence. It also requires reporting, to the Chair of the Audit Committee, of any instance where the Group's independence may have been compromised.

Information about the two Committees, including their work in 2017, is set out under the sections headed 'Risk Management Committee' on page 65 and 'Audit Committee' on page 63 of this Annual Report.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the external auditor, Deloitte (which for these purposes includes any entity under common control, ownership or management with the external auditor 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 2017 is set out as follows:

SERVICES RENDERED	FEE PAID/ PAYABLE 2017 US\$'000
Statutory audit services	1,524.3
Other audit services	203.3
NON-AUDIT SERVICES	
Other tax services	42.0
Other services	100.0
	1,869.6

COMPANY SECRETARY

Ms Leung Suet Kam Lucia was appointed as Company Secretary of the Company in June 2001. She is a fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms Leung assists the Board by ensuring good information flow within the Board and that the Board policy and procedures including those on governance matters are followed. All the Directors are entitled access to the advice and services of the Company Secretary. She reports to the Chairman of the Board and also the CEO. Ms Leung has attended various professional seminars during the year ended 31 December 2017, which exceed the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Shareholders holding at least 5% of the total voting rights of all Shareholders having a right to vote at the Company's general meeting can deposit a written request to convene a general meeting at Unit 8506A, 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 or send the written request to the Company by fax at +852 2840 0580.

The written request: (i) must state the general nature of the business to be dealt with at the meeting, and (ii) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting and signed by the Shareholders concerned.

The request will be verified with the Company's Share Registrar and upon confirmation that the request is proper and in order, the Board will convene a general meeting by serving sufficient notice to all the registered Shareholders.

However, if the request has been verified as not in order, the Shareholders concerned will be advised of this outcome and accordingly, a general meeting will not be convened as requested.

Pursuant to the articles of association of the Company and the Companies Ordinance, the notice period to be given to all the registered Shareholders for consideration of the proposed resolutions at a general meeting is not less than 14 days.

If the Directors do not within 21 days after the date on which they become subject to the requirement to call a general meeting to be held on a date not more than 28 days after the date of the notice convening the meeting, the Shareholders concerned or any of them representing more than one half of the total votes of all of them, may themselves call a general meeting, provided that such general meeting must be called for a date not more than three months after the date on which the Directors become subject to the requirement to call a meeting.

Any reasonable expenses incurred by the Shareholders concerned by reason of the failure of the Directors duly to call a general meeting shall be repaid to the Shareholders concerned by the Company.

The procedures for Shareholders to convene a general meeting are available on the Company's website.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT THE ANNUAL GENERAL MEETING

Shareholders holding at least 2.5% of the total voting rights of all Shareholders having the right to vote at the AGM, or at least 50 Shareholders who have a right to vote on the resolution at the AGM to which the requests relate, can submit a written request to move a resolution at the AGM.

The written request must state the resolution and be signed by all the Shareholders concerned.

The written request must be deposited at Unit 8506A, 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 or sent to the Company by fax at +852 2840 0580 not later than six weeks before the AGM to which the request relates or if later, the time at which notice is given of that meeting.

The request will be verified with the Company's Share Registrar and upon confirmation that the request is proper and in order, the Board will include the resolution in the agenda for the next AGM in accordance with statutory

requirements. However, 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 AGM.

The Company will be responsible for the expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned.

The procedures for Shareholders to put forward proposals at the AGM 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 for election as a Director at an AGM or a general meeting, he/she can deposit a written notice to that effect signed by the Shareholder concerned at Unit 8506A, 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 period of seven clear calendar days commencing from the date of dispatch of the AGM/general meeting notice and no later than seven clear calendar days prior to the date of AGM/general meeting.

If the written notice is received after the AGM/general meeting notice has been dispatched but later than seven clear calendar days prior to the date of the AGM/general meeting, the Company may need to consider the adjournment of the AGM/general meeting 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/general meeting 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 Unit 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Shareholders' questions in relation to their shareholdings should be directed to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M 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, Shareholder circulars and other disclosures through the websites of the Hong Kong Stock Exchange, the ASX and the Company; 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/analyst 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 Framework, 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 websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and ASX (www.asx.com.au) are posted as soon as practicable after their release.

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

- the articles of association of the Company;
- terms of reference of the Audit Committee, Remuneration Committee, Governance and Nomination Committee and Risk Management Committee;
- a summary of the procedures for Shareholders to convene a general meeting, to put forward proposals at the AGM, 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 AGM/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 representatives from the Company's external auditor will attend AGM/general meetings to answer Shareholders' questions.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

Respect for the environment is a core part of the way MMG operates. The objective of the Company is to maximise recycling and reuse and to minimise the draw on natural resources; with water being the most significant natural resource used in our operations. The Company also seeks to minimise energy use and the use of resources in the generation of electricity.

The environmental management approach is based on the principles of plan, do, check, act and aligns to the principles of ISO14001. The approach involves identification, assessment and control of material risks across all phases of our business, from exploration through to development, operation and then closure. The Company works in partnership with its Stakeholders to understand the challenges and opportunities of its activities, and how best to manage them.

The MMG Environment Standard defines MMG's minimum requirements and provides the basis for sustainable environmental management through its deployment at its operations. These requirements are audited as part of an integrated assurance process.

Through the application of the MMG Operating Model, operations focus on essential environmental delivery work, supported by functional excellence that drives continual improvement of our management processes.

KEY STAKEHOLDER RELATIONSHIPS

The Company seeks Stakeholder relationships based on trust, transparency and mutual respect for culture, values and heritage. Understanding the needs, expectations and aspirations of communities impacted by its operations is vital for the Company to achieve its vision and growth objectives.

The Company's key relationships are with its employees, communities, suppliers, governments, Shareholders, non-government organisations, industry and customers.

Areas of interest vary between each Stakeholder group but cover topics including economic performance, safety and health management, employee development and well-being, environmental management and compliance and support for community and regional development.

Stakeholders interact with the Company through a variety of avenues including direct communication and meetings, receipt of newsletters and corporate publications, disclosures to the Hong Kong Stock Exchange and membership and representation on industry associations.

MMG has relationships with a range of customers globally for the sale of its products. The sales and marketing of all products is managed by a Group Sales and Marketing function that negotiates all terms and conditions at arm's length arrangements. All prices are referenced to LME or London Bullion Market Association market prices for the appropriate product sold. Further information is discussed in the Management Discussion and Analysis on pages 19 to 38 of this Annual Report.

Information on MMG's approach to environmental, social and governance issues will be reported in the 2017 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter 2018.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has adopted the Corporate Legal Compliance Standard and other practices to ensure adherence to applicable legal and regulatory requirements and, in particular, those that have a significant impact on the operations of the Group. Our Governance and Nomination Committee is delegated by the Board to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies and practices are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and business units from time to time.

CONSTITUTIONAL DOCUMENTS

There is no change to the Company's articles of association during the year.

ASX SECONDARY LISTING

The Company was admitted to the official list of ASX Limited (ASX) on 10 December 2015 as an ASX Foreign Exempt Listing. The secondary listing on the ASX will enable more Australian investors to participate in MMG's growth. The Company's primary listing remains with the Hong Kong Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH AND PERFORMANCE

MMG operates and develops mine sites across Australia, the Democratic Republic of the Congo, Lao PDR and Peru. We also have exploration projects and partnerships in Australia, Africa and the Americas.

In 2017, we had four mining operations: Kinsevere, Las Bambas, Rosebery and Sepon. Our Century and Golden Grove mines both sold in February 2017 and Dugald River is expected to achieve commercial production during the first half of 2018.

The Company is committed to responsible environmental and social performance and effective governance of its operations. This supports our growth strategy by helping to:

- manage reputational and regulatory risks;
- control costs and drive efficiencies;
- build strong stakeholder relationships; and
- attract and retain talented employees.

All terms and references used in this section can be found in the Report's Glossary.

ESG REPORTING AND MATERIALITY

The Company conducts a GRI aligned materiality assessment to ensure that ESG issues which matter most to our stakeholders are reported.

The MMG Sustainability Report provides an annual summary on our approach and performance across our material sustainability issues. Elements of our sustainability reports are externally assured in line with our commitment as a member of the ICMM.

Information on MMG's approach to health and safety, social development, environmental performance, key stakeholder relationships and compliance with laws and regulations will be reported in the 2017 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter 2018.

CORPORATE GOVERNANCE

The Company complies with the principles of good corporate governance as set out in the Corporate Governance Code (CG Code) of the Listing Rules and maintains policies to meet both Board requirements and all external reporting obligations.

The Company is committed to upholding a high standard of corporate governance practices through a quality Board, sound internal controls, and transparency and accountability to all shareholders. We understand that

good governance is not just a matter for the Board and it is equally the responsibility of Executive Management to embed governance practices throughout the organisation.

As a result, we have Board Audit, Remuneration, Governance, Nomination and Risk Management committees which operate under clear Terms of References. We also have a number of Executive management committees, including Safety, Health, Environment and Community (SHEC), Disclosure, Investment Review, Mineral Resources and Ore Reserves and a Code of Conduct Committee.

MMG's commitment to operating in line with the ICMM's 10 Sustainable Development Principles is articulated in our Safety, Security, Health, Environment and Community (SSHEC) Policy. The Company's approach is also guided by our Corporate Governance Policy, People Policy, Shareholder Communication Policy, and Quality and Materials Stewardship Policy.

The Company applies business wide Standards to define the minimum requirements to manage material risks, meet legal requirements and external reporting obligations, and to create and preserve competitive advantage and organisational effectiveness. Our assurance program focuses on verifying that the critical controls required to manage material risk events are implemented and effective.

Through the application of the MMG Operating Model, operations focus on essential delivery work, supported by functional excellence that drives continual improvement of our management processes.

COMPLIANCE

The Governance and Nomination Committee is responsible for developing and reviewing the Company's policies and practices on corporate governance, the Code of Conduct, monitoring MMG's compliance with the Listing Rules and other applicable laws.

Our SHEC Committee is a management committee that monitors our performance in line with the Group's policies, standards and regulatory requirements relating to safety, health, environment and community.

BUSINESS ETHICS

The Company's values and Code of Conduct set out our commitment to operating in a responsible manner. We expect all our employees, contractors and suppliers to integrate these standards of behaviour into their working practices. The Company Code of Conduct covers areas such as conflict of interest, fraud, anti-corruption and legal

compliance and its application is overseen by our Code of Conduct Committee, chaired by the Chief Financial Officer (who became Chair upon the resignation of the former Chief Operating Officer). MMG engages an independent confidential whistleblower service which is available to all employees globally in their local language, and also has an Anti-Corruption Framework and Whistleblower Framework which form part of the Corporate Legal Compliance Standard. In 2017, no significant non-compliances with the Company's Code of Conduct were identified.

DEVELOPING AND SUPPORTING OUR WORKFORCE AND PROTECTING LABOUR RIGHTS

The Company has two Standards governing people and benefits matters globally; the Remuneration and People and Culture Standards. These Standards are supported with detailed Work Quality Requirements, systems and processes to ensure global standards and local requirements are met, which include policies related to compensation and dismissal, working hours, recruitment and promotion. The Company is also aligned with all national legislation and legal requirements in the countries where our operations are located. The Company chooses the best people for each position and rewards them competitively with salary and benefits that are in line with market conditions and their contribution to our overall business success. The Company is committed to sharing its successes with our communities through local employment opportunities and by investing in training and education to help local residents transition to careers in mining or related fields.

The Company provides its people with the opportunity to develop their skills, expertise and experience to optimise their contribution to our business and to develop their careers. The Company has two broad streams of vocational training; operational training and competency verification; to drive safety, efficiencies and manage material business risks. In addition the Company enables employees' professional development to enhance leadership capabilities and support career pathways.

The Company undertakes extensive workforce and community engagement on, and offers support to, individuals affected by any business decisions to downsize or close operations.

The Company aims to provide safe workplaces that are free of discrimination and harassment, and which foster diversity and inclusion. The Company also has a global Diversity and Inclusion Model led by the Executive Committee.

The committee sets corporate targets and, in turn, Executives sponsor regional Diversity and Inclusion Committees where local employees determine and action more initiatives that are specific to the region. MMG's approach to inclusion and diversity supports our comparative advantage in attracting and retaining talent, in addition to delivering business benefits associated with greater levels of collaboration.

The Company promotes good mental health practices in the workplace and supports our workers to be physically fit and well rested so that they are able to carry out their duties safely.

We are committed to upholding the International Labour Organisation's (ILO) Declaration of Fundamental Principles and Rights at Work and their Core Labour Standards and comply with local labour laws. We uphold the rights of our employees to freedom of association and collective representation and endeavour to have positive and constructive negotiations with elected representatives of these groups. We also uphold the ILO Principles regarding the elimination of all forms of forced and child labour.

In 2017, there were no confirmed non-compliance incidents or grievances in relation to labour practices that have had a significant impact on the Group.

COMMUNITY ENGAGEMENT

We recognise that strong stakeholder engagement from exploration through to the cessation of our mining activities is critical in ensuring that our business decisions are responsive to the needs and expectations of our host communities and governments. We aim to partner with our communities and strive to maintain socially and culturally inclusive and proactive communication with stakeholders regarding future plans and performance. MMG's commitment to the ICMM Sustainable Development Principles, including the commitment to community dialogue and position on free, prior and informed consent regarding Indigenous people, guides our approach to stakeholder engagement. The Company's responsibilities regarding interactions and contribution to host communities are further defined in the Social Performance Standard.

In 2017, there were no confirmed non-compliance incidents or grievances in relation to human rights that have had a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH AND PERFORMANCE (CONTINUED)

SUPPLY CHAIN

The Company's supplier engagement and contract award process includes a comprehensive assessment across a range of criteria including commercial, social, safety, environment, quality and technical capabilities. As part of the supplier selection process we also assess a range of non-financial criteria around supporting sustainable development in the regions where we work, including local community training and commitment to local employment.

As part of our supplier engagement process we seek formal agreement from suppliers to comply with our Code of Conduct and Anti-Corruption Framework as well as all relevant Company Standards, policies and procedures, including the Supply, Fatal Risk Management, Safe Task Management, Social Performance and Environment Standards. In 2017, with approximately 60 of our key suppliers, we regularly reviewed and reported on agreed contract performance measures, as well as identifying and actioning improvement opportunities.

In 2017, there were no confirmed non-compliance incidents or grievances in relation to supply chain management that have had a significant impact on the Group.

PRODUCT STEWARDSHIP

The Company aims to supply metal and metal concentrate products that consistently meet customer quality expectations and that are safe for people and the environment in their intended use. We have a formal process for managing any customer complaints to facilitate timely and satisfactory resolution.

The Product Stewardship Standard guides our activities to understand the characteristics of our products and manage their potential impacts on human health and the environment during transportation, storage and handling. Shipments of our copper, zinc and lead concentrates have to comply with international maritime legislation and our products are classified in line with the International Maritime Organisation's (IMO) MARPOL Convention Annex V and the International Maritime Solid Bulk Cargoes Code.

The Company's global customers also have a shared responsibility for managing impacts throughout the life cycle of the goods they make from downstream processing of our products.

In 2017, the Group was not aware of any significant incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services that have had a significant impact on the Group.

HEALTH AND SAFETY

MMG's first value is safety and we continually strive to eliminate fatalities, incidents and injuries at our workplaces. The Company's Standards and procedures collectively define the way work should be planned, assigned and executed to achieve safe outcomes. These Standards include Fatal Risk Management, Occupational Health and Hygiene, Safe Task Management, contract management (Supply Standard), project management (Project Standard), plant and equipment maintenance (Production and Maintenance Standard), crisis and emergency management (People and Asset Protection Standard) and learning from events (Reporting Standard). Our Total Recordable Injury Frequency (TRIF) was 1.17 per million hours worked in 2017, representing a 38% reduction on the 2016 TRIF reported.

Despite the Company's commitment to a safety-first culture and to ensuring that supporting behaviours and processes are in place across every area of our operations, we sadly report that we had one fatality in 2017 at our Las Bambas mine in Peru. An MMG employee was fatally injured when a haul truck he was driving left the road near the Ferrobamba Pit.

In 2017, MMG received no significant safety related fines or non-monetary sanctions. MMG received two minor safety related fines at Las Bambas, both of which relate to administrative processes linked to safety incidents that occurred in 2013.

ENVIRONMENT

The Company is committed to minimising its environmental footprint and its use of natural resources. The Company's Environment Standard defines minimum requirements for the management of water, mineral and non-mineral wastes, land, biodiversity and cultural heritage, air, noise and vibration, and all sites are required to comply with these requirements.

The Company's approach to environmental management is based on the principle of continuous improvement and is aligned to ISO14001. The approach involves identification, assessment and control of material environmental risks across all phases of our business, from exploration through to development, operation and closure. Further, the Environment Standard sets the benchmark for the efficient use of resources and minimisation of environmental impacts from our operations that include mining, processing and transportation.

Site compliance with the requirements of the Environment Standard is internally audited as part of an integrated assurance process.

MMG acknowledges human induced climate change and its impacts on the environment, the economy and communities.

We are committed to being part of the global solution including through taking actions to reduce emissions and the provision of minerals and metals required in a low carbon future.

Given that MMG does not currently mine energy materials, and the extent to which our operational energy requirements are met through either hydroelectricity or gas fired power, stakeholders have not identified greenhouse gas abatement as a material issue for our business. Our focus on energy efficiency, while driven predominantly by the economic benefits of reduced power requirements in mining and comminution, delivers a secondary benefit of greenhouse gas emission reduction. In addition to this, MMG has commitments at its Kinsevere and Las Bambas operations to support extensive reforestation of our neighbouring lands, which in turn delivers a carbon abatement outcome.

In 2017, there were no fines or penalties related to environmental management that have had a significant impact on the Group.

An environmental incident occurred during the testing of the commissioning of the Dugald River tailings pipeline causing an uncontrolled release of slurry within the mining lease. A significant program of works to recover slurry material and remediate the site was undertaken, consisting of dry, wet and manual labour recovery methods. The incident and remediation activities have been communicated to the Regulator.

Kinsevere updated and received government approval for its Environment and Social Impact Assessment (ESIA) during 2017 to cover some development activities, existing practices and activities undertaken as part of operational ramp up including extension and associated bush clearance to existing black shale and non-acid forming (NAF) waste rock dumps, changes to topsoil stockpile locations, and construction of a new truck maintenance workshop.

To control unplanned water discharges to the environment, Kinsevere undertook surface water management risk reduction works expanding an existing sediment pond during wet season preparedness.

To support short term water management at Kinsevere, a short term surface water management strategy was completed and discussed with the Regulator. Development of a site wide water balance is underway to support the detailed design requirements for the surface water management strategy.

Seepage discharge from Sepon's operational tailings facility was identified. To manage the seepage additional sediment ponds downstream of the seepage were constructed with pump back to the tailings facility to ensure containment of the material. The seepage was reported to the Regulator.

The bio-monitoring program at Rosebery recorded fish and micro invertebrates in the Stitt River for the first time since 2003. Initial indications are that this may be related to the positive impact of seepage management measures constructed as part of the 2/5 Tailings Dam works.

To support Las Bambas life of asset plan, amendments to its environmental licence were made to the relevant regulators during 2017, including submission and approval of its fifth Technical Report (ITS) and submission of its third Environmental Impact Study Modification (MEIA), approval pending.

Information and data relating to the type and total air and greenhouse gas emissions, hazardous and non-hazardous waste produced, direct and indirect energy consumption and water consumption are listed in the 2017 Environmental Data section below and are managed in accordance with the Environmental Standard and core principles of ISO14001.

2017 ENVIRONMENTAL DATA

Consistent with our internal reporting, energy consumption is listed in gigajoules (GJ), emissions to air and waste is reported in tonnes, and water is reported in megalitres (ML). For consistency, ratios are calculated on a per tonne of ore milled or per thousand tonnes of ore milled basis.

Table 1 - Total energy consumption (GJ)

SITE	2016	2017
Dugald River	372,602	409,805
Rosebery	681,177	728,323
Sepon	2,116,561	2,142,512
Las Bambas	8,268,163	9,345,014
Kinsevere	1,421,395	1,549,138
Exploration	8,941	19,116
MMG Total	12,868,838	14,193,909

Note: Energy consumption made up of a mix of sources, including diesel, LPG, on grid electricity, explosives and others.

Table 2 - Energy consumption (GJ/tonnes milled)

SITE	2016	2017
Dugald River	<i>No ore milled</i>	2.1
Kinsevere	0.62	0.68
Rosebery	0.73	0.75
Sepon	0.83	0.68
Las Bambas	0.18	0.18
MMG Total	0.24	0.24

ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH AND PERFORMANCE (CONTINUED)

Table 3 - Direct and indirect energy consumption (GJ)

SITE AND YEAR	DIRECT ENERGY CONSUMPTION	INDIRECT ENERGY CONSUMPTION
DUGALD RIVER		
2016	372,601	0*
2017	268,410	141,396
KINSEVERE		
2016	714,920	706,475
2017	798,777	750,361
LAS BAMBAS		
2016	4,431,090	3,837,072
2017	5,003,735	4,341,279
ROSEBERY		
2016	233,966	447,211
2017	256,924	471,399
SEPON		
2016	981,173	1,135,467
2017	1,092,674	1,049,838
EXPLORATION		
2016	8,941	0
2017	19,116	0
MMG TOTAL		
2016	6,742,691	6,126,225
2017	7,439,636	6,754,273

* Dugald River stopped using diesel generators late 2016, upon which the site began importing electricity from the grid.

Table 4 - Total greenhouse gas (GHG) emissions (tonnes CO₂-e)

SITE AND YEAR	DIRECT GHG EMISSIONS	INDIRECT GHG EMISSIONS	TOTAL
DUGALD RIVER			
2016	21,308	0*	21,308
2017	16,208	31,029	47,237
EXPLORATION			
2016	628	-	628
2017	1,344	-	1,344
KINSEVERE			
2016	38,846	566	39,412
2017	50,869	601	51,470
LAS BAMBAS			
2016	305,591	269,320	574,910
2017	346,469	304,710	651,179
ROSEBERY			
2016	15,945	14,907	30,852
2017	17,500	15,713	33,213
SEPON			
2016	178,095	174,126	352,220
2017	180,156	161,021	341,177
MMG TOTAL			
2016	560,413	458,919	1,019,330
2017	612,546	513,074	1,125,620

* Dugald River stopped using diesel generators late 2016, upon which the site began importing electricity from the grid.

Table 5 - GHG emissions (tonnes CO₂-e/000 tonnes milled)

SITE	2016	2017
Dugald River	<i>No ore milled</i>	238
Kinsevere	17.2	22.6
Rosebery	32.9	34.3
Sepon	138	108
Las Bambas	12.4	12.6
MMG Total	19.1	19.4

Table 6 - Air emissions (tonnes)

	2016	2017
OXIDES OF NITROGEN (NO_x)		
Dugald River	22	28
Kinsevere	1,002	2,745
Las Bambas	<i>Not estimated in 2016</i>	15,483
Rosebery	100	113
Sepon	678	733
MMG Total	1,802	19,102
OXIDES OF SULPHUR (SO_x)		
Dugald River	0	0
Kinsevere	1	2
Las Bambas	<i>Not estimated in 2016</i>	5
Rosebery	0	0
Sepon	43	50
MMG Total	45	57
PARTICULATE MATTER (PM₁₀)		
Dugald River	163	163
Kinsevere	425	373
Las Bambas	<i>Not estimated in 2016</i>	3,450
Rosebery	117	260
Sepon	131	137
MMG Total	836	4,382
VOLATILE ORGANIC COMPOUNDS (VOCs)		
Dugald River	3	4
Kinsevere	66	280
Las Bambas	<i>Not estimated in 2016</i>	490
Rosebery	8	9
Sepon	60	67
MMG Total	138	850

Table 7 - Total hazardous waste (tonnes)

SITE	2016	2017
Dugald River	357	703
Kinsevere	30	45
Rosebery	280	514
Sepon	310	259
Las Bambas	1,023	1,370
MMG Total	2,000	2,891

Table 8 - Hazardous waste produced (tonnes/'000 tonnes milled)

SITE	2016	2017
Dugald River	<i>No ore milled</i>	3.55
Kinsevere	0.0130	0.0196
Rosebery	0.298	0.530
Sepon	0.122	0.0823
Las Bambas	0.0220	0.0266
MMG Total	0.0375	0.0498

Table 9 - Total non-hazardous waste (tonnes)

SITE	2016	2017
Dugald River	2,917	5,012
Kinsevere	42	42
Rosebery	1,608	1,809
Sepon	1,033	833
Las Bambas	4,591	6,310
MMG Total	10,191	14,006

Table 10 - Non-hazardous waste produced (tonnes/'000 tonnes milled)

SITE	2016	2017
Dugald River	<i>No ore milled</i>	0.0253
Kinsevere	0.0183	0.0186
Rosebery	1.71	1.87
Sepon	0.405	0.265
Las Bambas	0.0987	0.123
MMG Total	0.191	0.241

Table 11 - Total water consumption (ML)

SITE	2016	2017
Dugald River	532	1,012
Kinsevere	3,580	2,631
Rosebery	239	481
Sepon	4,613	5,276
Las Bambas	11,464	16,984
MMG Total	20,427	26,385

Table 12 - Total water consumption (ML/'000 tonnes milled)

SITE	2016	2017
Dugald River	<i>No ore milled</i>	5.11
Kinsevere	1.56	1.16
Rosebery	0.254	0.497
Sepon	1.81	1.68
Las Bambas	0.247	0.330
MMG Total	0.383	0.454

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MMG LIMITED

(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

Opinion

We have audited the consolidated financial statements of MMG Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 151, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

TO THE MEMBERS OF MMG LIMITED – CONTINUED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

Key Audit Matters - continued

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
IMPAIRMENT ASSESSMENT OF NON-FINANCIAL ASSETS AND GOODWILL	
<p>We identified the impairment assessment of non-financial assets and goodwill as a key audit matter due to the significance of these balances in the Group's consolidated statement of financial position and the estimation of recoverable amount of each cash generating unit ("CGU") involves complex and subjective management estimates based on management's judgement of key variables and market conditions such as future commodity prices, future exchange rates, future operating performance, the timing and approval of future capital and operating expenditure, and the most appropriate discount rate.</p> <p>As at 31 December 2017 the Group has goodwill of US\$528.5 million and property, plant and equipment of US\$11,982.1 million, accounting for approximately 4% and 81% of the Group's total assets as at 31 December 2017 respectively, contained within its CGUs as disclosed in notes 2.7, 3.1(d), 14 and 15 to the consolidated financial statements. No additional or reversal of impairment loss has been recognised during the year then ended.</p>	<p>Our procedures in relation to the impairment assessment of goodwill and property, plant and equipment included:</p> <ul style="list-style-type: none"> - Engaging our internal specialists to evaluate the appropriateness of the model used by management to calculate the fair value less cost of disposal of the individual CGUs - Assessing and challenging the reasonableness of the discount rates used and challenging management's sensitivity analysis on key variables (e.g. commodity pricing); - Assessing the work of the Group's mine closure specialists in identifying rehabilitation activities against legislative requirements and assessing their timing and likely cost. We evaluated their methodology against industry practice and our understanding of the business; - Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU; - Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of management's projections; - Evaluating the competence and objectivity of management's experts who assisted in the valuation; - Evaluating the feasibility studies that supported exploration upside potential valuation included on certain CGUs; and - Assessing the appropriateness of the related disclosures included in note 14 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MMG LIMITED – CONTINUED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

Key Audit Matters - continued

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
<p>GOING CONCERN BASIS</p>	
<p>We identified the going concern basis as a key audit matter as it is dependent on the positive cash flows generated from the Group's mining operations for the 12 months following the approval of the annual financial statements and the refinancing of its debts. The Group's management has prepared a cash flow forecast which involves inherent complex and subjective management judgements and estimates based on management's input of key variables and market conditions.</p> <p>As set out in note 2.1 to the consolidated financial statements, notwithstanding the fact that the Group expects to continue to generate positive operating cash flows for the 12 months following the approval of the annual financial statements, with benefit of recent and forecast improvements in commodity prices, the Group's ability to transfer cash generated in certain regions to rest of the Group is subject to satisfying certain conditions and the Group has debts with an aggregate principal amount of US\$694.3 million maturing within the next 12 months which will need to be refinanced or repaid and replaced.</p> <p>The Group has various funding options available to it should a need arise, including the support of its major shareholder.</p>	<p>Our procedures in relation to the going concern basis of the Group included:</p> <ul style="list-style-type: none"> - Challenging the key assumptions in management's forecast cash flows for the next 12 months (base case and downside scenarios); - Comparing the cash flow forecasts against the budget approved by the board of directors of the Company and testing the accuracy of the model; - Assessing consistency between the forecasts used to test the Group's going concern basis and those used in the asset impairment assessment including commodity prices and third party forecast data; - Assessing the historical accuracy of forecasts prepared by the Group management; - Agreeing the Group's committed debt facilities and hedging arrangements to supporting documents; - Performing stress tests for a range of reasonably possible scenarios (including commodity prices) on management's cash flow and covenant compliance forecasts for the 12 months following the approval of the annual financial statements; - Challenging management's plans for mitigating any identified exposures, including their ability to amend the terms of their existing financing arrangements, obtain additional sources of financing or undertake additional asset disposals or raise additional capital; - Obtaining and reviewing a letter from its major shareholder which confirmed their financial support to the Group should the Group be unable to pay its debts; and - Assessing the appropriateness of the related disclosures included in note 2.1 to the consolidated financial statements.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
ACCOUNTING FOR INCOME TAXES AND OTHER TAXES	

We identified the accounting for income taxes and other taxes as a key audit matter due to the significant judgement involved in the determination of the tax position and the estimates and assumptions in light of the number of jurisdictions in which the Group operates, including judgment concerning residency of key operations and holding companies, provisioning for tax exposures, application of transfer pricing rules, the recognition of deferred income tax assets and the taxation impacts of any corporate restructurings.

This gives rise to complexity and uncertainty in respect of the calculation of income taxes and deferred tax assets and consideration of contingent liabilities associated with tax years open to audit. As at 31 December 2017, the Group operates across a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes, change of taxation laws, and transaction related tax matters as disclosed in notes 3.1(c), 9, 19 and 20 to the consolidated financial statements.

Our procedures in relation to the accounting for income taxes and other taxes included:

- Challenging management’s process for identifying uncertain tax, provisioning for tax exposures and determining the recoverability of capitalised unused tax losses and tax receivables;
- Engaging our internal tax specialists to review tax computations of the Group, obtain an understanding of the current status of tax assessments and investigations and to monitor developments in ongoing disputes, if any;
- Reading recent rulings, correspondence with local tax authorities and the advices from management’s external tax advisors, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest external developments; and
- Assessing the appropriateness of the related disclosures included in notes 9, 19 and 20 to the consolidated financial statements.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MMG LIMITED – CONTINUED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tsang Yiu Chung.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

7 March 2018

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	YEAR ENDED 31 DECEMBER	
		2017 US\$ MILLION	2016 US\$ MILLION
Revenue	4	4,143.2	2,488.8
Other (loss)/income	6	(35.0)	40.3
Expenses (excluding depreciation and amortisation expenses)	7	(2,076.8)	(1,579.9)
Gains on disposal of subsidiaries	5	178.6	-
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA		2,210.0	949.2
Depreciation and amortisation expenses	7	(933.0)	(684.5)
Profit before interest and income tax – EBIT		1,277.0	264.7
Finance income	8	8.8	3.3
Finance costs	8	(542.3)	(316.3)
Profit/(loss) before income tax		743.5	(48.3)
Income tax expense	9	(395.1)	(50.4)
Profit/(loss) for the year		348.4	(98.7)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		147.1	(152.7)
Non-controlling interests		201.3	54.0
		348.4	(98.7)
EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY			
Basic earnings/(loss) per share	10	US 1.85 cents	(US 2.48 cents)
Diluted earnings/(loss) per share	10	US 1.81 cents	(US 2.48 cents)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	YEAR ENDED 31 DECEMBER	
		2017 US\$ MILLION	2016 US\$ MILLION
Profit/(loss) for the year		348.4	(98.7)
Other comprehensive income/(expenses)			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Change in fair value of available-for-sale financial assets	24	-	13.3
Change in fair value of hedging instruments in cash flow hedges	24	4.3	(4.3)
<i>Item reclassified to profit or loss</i>			
Gain on disposal of available-for-sale financial assets	24	-	(1.5)
Other comprehensive income for the year, net of tax		4.3	7.5
Total comprehensive income/(expenses) for the year		352.7	(91.2)
Total comprehensive income/(expenses) for the year attributable to:			
Equity holders of the Company		151.4	(145.2)
Non-controlling interests		201.3	54.0
		352.7	(91.2)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

	NOTES	2017 US\$ MILLION	2016 US\$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment	14	11,982.1	12,084.3
Intangible assets	15	622.3	620.6
Inventories	18	51.9	29.8
Deferred income tax assets	19	200.5	291.1
Other receivables	20	218.9	160.2
Other financial assets	21	17.8	12.5
Total non-current assets		13,093.5	13,198.5
Current assets			
Inventories	18	296.1	345.7
Trade and other receivables	20	287.7	755.5
Loan to a related party	31(d)	120.0	95.0
Current income tax assets		55.7	5.5
Derivative financial assets	13	0.5	16.7
Other financial assets	21	-	0.2
Cash and cash equivalents	22	936.1	552.7
		1,696.1	1,771.3
Assets of disposal group classified as held for sale	30	-	260.2
Total current assets		1,696.1	2,031.5
Total assets		14,789.6	15,230.0
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	2,874.1	2,863.3
Reserves and retained profits	24	(1,662.7)	(1,832.8)
		1,211.4	1,030.5
Non-controlling interests	17	1,760.4	1,559.1
Total equity		2,971.8	2,589.6

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	NOTES	AS AT 31 DECEMBER	
		2017 US\$ MILLION	2016 US\$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	25	8,498.2	9,516.2
Provisions	26	793.8	831.3
Other financial liabilities	27	160.3	-
Deferred income tax liabilities	19	863.0	683.0
Total non-current liabilities		10,315.3	11,030.5
Current liabilities			
Borrowings	25	694.3	737.0
Provisions	26	62.9	141.6
Trade and other payables	28	730.1	652.6
Current income tax liabilities		15.2	3.1
Derivative financial liabilities	13	-	5.8
		1,502.5	1,540.1
Liabilities of disposal group classified as held for sale	30	-	69.8
Total current liabilities		1,502.5	1,609.9
Total liabilities		11,817.8	12,640.4
Net current assets		193.6	421.6
Total equity and liabilities		14,789.6	15,230.0

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



JIAN Jiao
CEO and Executive Director



XU Jiqing
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$ MILLION	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			TOTAL	NON- CONTROLLING INTERESTS (NOTE 17)	TOTAL
		SHARE CAPITAL (NOTE 23)	TOTAL RESERVES (NOTE 24)	TOTAL RETAINED PROFITS (NOTE 24)			
At 1 January 2017		2,863.3	(1,913.9)	81.1	1,030.5	1,559.1	2,589.6
Profit for the year		-	-	147.1	147.1	201.3	348.4
Other comprehensive income		-	4.3	-	4.3	-	4.3
Total comprehensive income for the year		-	4.3	147.1	151.4	201.3	352.7
Employee share options exercised	23	10.8	(2.2)	-	8.6	-	8.6
Employee share options lapsed after vesting		-	(1.5)	1.5	-	-	-
Employee long-term incentives		-	20.9	-	20.9	-	20.9
Total transactions with owners		10.8	17.2	1.5	29.5	-	29.5
At 31 December 2017		2,874.1	(1,892.4)	229.7	1,211.4	1,760.4	2,971.8

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

US\$ MILLION	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			TOTAL	NON- CONTROLLING INTERESTS (NOTE 17)	TOTAL
		SHARE CAPITAL (NOTE 23)	TOTAL RESERVES (NOTE 24)	TOTAL RETAINED PROFITS (NOTE 24)			
At 1 January 2016		2,359.1	(1,926.3)	233.8	666.6	1,508.6	2,175.2
(Loss)/profit for the year		-	-	(152.7)	(152.7)	54.0	(98.7)
Other comprehensive income		-	7.5	-	7.5	-	7.5
Total comprehensive income/ (expenses) for the year		-	7.5	(152.7)	(145.2)	54.0	(91.2)
Ordinary shares issued, net of share issue costs	23	504.2	-	-	504.2	-	504.2
Employee long-term incentives		-	4.9	-	4.9	-	4.9
Dividends paid to non-controlling interests	17	-	-	-	-	(3.5)	(3.5)
Total transactions with owners		504.2	4.9	-	509.1	(3.5)	505.6
At 31 December 2016		2,863.3	(1,913.9)	81.1	1,030.5	1,559.1	2,589.6

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 DECEMBER	
		2017 US\$ MILLION	2016 US\$ MILLION
Cash flows from operating activities			
Receipts from customers		4,820.5	2,875.1
Payments to suppliers and employees		(2,318.3)	(2,049.3)
Payments for exploration expenditure		(45.6)	(38.8)
Income tax paid		(86.8)	(64.7)
Net cash generated from operating activities	29(a)	2,369.8	722.3
Cash flows from investing activities			
Purchase of property, plant and equipment	29(b)	(666.9)	(771.0)
Purchase of intangible assets	15	(38.4)	(17.0)
Purchase of financial assets		(0.7)	(1.3)
Payment of loan to a related party	31(d)	(120.0)	(95.0)
Proceeds from repayments of loan to a related party	31(d)	95.0	-
Proceeds from disposal of subsidiaries, net	5	208.4	-
Proceeds from disposal of financial assets		0.2	34.0
Proceeds from disposal of property, plant and equipment		-	3.1
Net cash used in investing activities		(522.4)	(847.2)
Cash flows from financing activities			
Proceeds from issue of shares	23	-	511.2
Payment of share issue costs	23	-	(7.0)
Proceeds from borrowings	25	140.0	643.4
Repayments of borrowings	25	(1,212.0)	(664.4)
Proceeds from shares issued upon exercise of employee share options		8.6	-
Dividends paid to non-controlling interests	17	-	(3.5)
Interest and financing costs paid		(409.1)	(403.6)
Interest received		8.5	3.2
Net cash (used in)/generated from financing activities		(1,464.0)	79.3
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		552.7	598.3
Cash and cash equivalents at 31 December	22	936.1	552.7

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

MMG Limited (the “Company”) is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The principal place of business of the Company is disclosed in the Corporate Information section to the Group’s 2017 Annual Report.

The Company is an investment holding company and is listed on the main board of The Stock Exchange of Hong Kong Limited (“HKEx”) and on the Australian Securities Exchange (“ASX”). The Company was admitted to the official list of the ASX on 10 December 2015 as a Foreign Exempt Listing, and commenced trading on 14 December 2015. This is a secondary listing and the Company’s primary listing remains with the HKEx.

The Company and its subsidiaries (the “Group”) are engaged in the exploration, development and mining of copper, zinc, gold, silver, nickel and lead deposits around the world.

The consolidated financial statements for the year ended 31 December 2017 are presented in United States dollars (US\$) unless otherwise stated and were approved for issue by the Board of Directors of the Company (the “Board”) on 7 March 2018.

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 (“HKFRSs”) – a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and derivative financial instruments which are measured at fair value.

The preparation of financial statements in accordance with HKFRSs 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 3.

(a) Going Concern

This report has been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 31 December 2017, the Group generated a net profit of US\$348.4 million (2016: net loss of US\$98.7 million). As at 31 December 2017, the Group had net current assets of US\$193.6 million (2016: US\$421.6 million) and generated operating cashflows of US\$2,369.8 million (2016: US\$722.3 million). The Group expects to continue to generate positive operating cashflows for the 12 months following the approval of the annual financial statements, noting that an ability to transfer cash generated within the MMG South America Management Group to the rest of the Group is subject to satisfying certain conditions. Expectations of continued positive operating cashflows are supported by strong commodity prices (particularly copper and zinc) and new revenue streams from the Dugald River project which commenced selling concentrate in December 2017 and is expected to be commissioned in the first half of 2018.

In addition, the Directors of the Company (the “Directors”) note the following considerations, relevant to the Group’s ability to continue as a going concern:

- As at 31 December 2017, total cash and cash equivalents of US\$936.1 million were held by the Group (including Las Bambas);
- The strong ongoing support of the Group’s major shareholder, China Minmetals Corporation (“CMC”), as demonstrated by an agreement entered into on 29 December 2017 in relation to the deferral of debt service payments under the US\$2,262.0 million loan facility provided to the Group in 2014 by Top Create Resources Limited (a subsidiary of CMC), to fund its equity investment in MMG SAM; and
- The strong ongoing support of the Group’s financiers, as demonstrated by the renewal on 22 December 2017 of a US\$300.0 million revolving credit facility with Industrial and Commercial Bank of China Limited (“ICBC”). These relationships are supported and enhanced by the guarantees provided by CMC in respect of certain facilities and CMC’s own relationships with the Group’s external financiers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As a result the Directors are of the view that the Group will be able to meet its debts as and when they fall due and accordingly the Directors have prepared the consolidated financial statements on a going concern basis.

(b) Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	As part of the annual improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

AMENDMENTS TO HKAS 7 DISCLOSURE INITIATIVE

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were or future cash flows will be included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 25. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 25, the application of these amendments has had no impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS TO HKFRSS 2014-2016 CYCLE

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see Note 2.1(c)).

HKFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

(c) New and Amendments to HKFRSs issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted

The Group has not early adopted the following new HKFRSs and amendments to HKFRSs that have been issued but are not effective for financial year 2017. The Group is in the process of assessing their impact on the Group's results and financial position.

Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ^(a)
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ^(a)
Amendments to HKFRS 9	Prepayment features with negative compensation ^(b)
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ^(d)
Amendments to HKAS 28	Long-term interests in associates and joint ventures ^(b)
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014-2016 cycle ^(a)
Amendments to HKAS 40	Transfers of investment property ^(a)
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 cycle ^(b)
HKFRS 9	Financial instruments ^(a)
HKFRS 15	Revenue from contracts with customers and related amendments ^(a)
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration ^(a)
HK(IFRIC) – Int 23	Uncertainty over income tax treatments ^(b)
HKFRS 16	Leases ^(b)
HKFRS 17	Insurance contracts ^(c)

Effective for the Group for annual period beginning on:

- (a) 1 January 2018
- (b) 1 January 2019
- (c) 1 January 2021
- (d) Effective date to be determined

(d) Impact of new HKFRSs and amendments to HKFRSs

HKFRS 9 “Financial Instruments”

HKFRS 9 includes a single approach for the classification and measurement of financial assets, based on cash

flow characteristics and the business model used for the management of the financial instruments. It introduces the expected credit loss model for impairment of financial assets which replaces the incurred loss model used in HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management objective and strategy of the business.

Given credit risk has not been a significant issue for the Group, and also given no significant hedge accounting transactions for the Group, the impacts of the new standard is concluded to be immaterial after the detailed assessment by the management of the Group.

HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The Group’s project for the implementation of the new accounting standard HKFRS 15 Revenue from Contracts with Customers has been completed. Assessments have concluded the following areas which will be impacted in complying with the new standard:

- HKFRS 15 requires certain additional disclosures, in particular in relation to the impact of provisional pricing adjustments;
- For certain contracts, the Group is responsible for providing shipping services after the date at which control of the goods passes to the customer at the loading port. Presently, the group recognises such freight revenue in full on loading. HKFRS 15 views this freight service as a separate performance obligation and therefore requires revenue and the associated cost to be recognised when the freight service has been provided. However, in light of the insignificance of shipping service obligation to the entire contracts of sale of goods, the Group has determined not to separately recognise the freight revenue and its associated cost. Assessment will continue to be made in the future reporting period to confirm whether this conclusion is still valid.

No other material measurement differences for the Group have been identified between the current revenue recognition standard and HKFRS 15.

HKFRS 16 “Leases”

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements.

The accounting model will require lessees to recognise their leases in the statement of financial position as an asset (the right to use the leased item) and a liability reflecting future lease payments, except for short-term leases and leases of low value assets. Depreciation of the leased asset and interest on lease liability will be recognised over the lease term.

The Group’s project for the implementation of the new accounting standard HKFRS 16 Leases is currently underway. This includes identifying changes to the Group’s accounting policies, internal and external reporting requirements, IT systems, business processes and controls. The Directors anticipate that the application of HKFRS 16 from 1 January 2019 may have a material impact on the amounts reported and disclosures made in the Group’s financial statements. As at 31 December 2017, the Group has non-cancellable operating lease commitments, which amounts are disclosed in Note 35. Upon completion of the assessment and application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of the lease arrangements, which meet the definition of lease, unless they qualify for low value or short-term leases. However, it is not practicable to provide a reasonable quantitative estimate of the effect of HKFRS 16 until the Group performs a more detailed assessment. The Group’s adoption approach and application of the transition provisions under the new standard will depend on the outcome of this assessment.

HK(IFRIC) – Int 23 “Uncertainty over income tax treatments”

HK(IFRIC) – Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. However, it is not practicable to provide a reasonable estimate of its impacts until the Group performs a more detailed assessment, which will be completed in 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods but the application may result in further disclosure in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 CONSOLIDATION

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

The Group applies the acquisition method of accounting to account for business combinations other than common control combinations. The purchase consideration 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 purchase consideration 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, which is the date on which control is obtained. 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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent purchase consideration payable by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of purchase consideration, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired are recorded as goodwill. If the total of purchase consideration, non-controlling interest recognised and previously held interest measured are less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights to direct the relevant activities that significantly affect the entity's returns. The 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.

(c) 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 loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are account for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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, joint arrangement 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.

(d) 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 the investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 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 Executive Committee of the Company.

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(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 reporting date where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the consolidated statement of profit or loss, with the exception of foreign exchange gains and losses on foreign currency provisions for mine rehabilitation, restoration and dismantling, which are capitalised in property, plant and equipment for operating sites.

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 Group 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 joint arrangement 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.

2.5 PROPERTY, PLANT AND EQUIPMENT

Cost

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any. 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. The cost of property, plant and equipment includes the estimated cost of mine rehabilitation, restoration and dismantling.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Depreciation and amortisation

The major categories of property, plant and equipment are depreciated over the estimated useful lives of the assets on a unit of production or reducing balance basis as indicated below. The useful lives below are subject to the lesser of the asset categories' useful life and the life of the mine:

- Freehold land – Not depreciated or unit of production (tonnes mined) as applicable;
- Buildings – Reducing balance 2.5%;
- Plant and machinery (mining and processing) – Unit of production (tonnes mined and milled) or straight line over the useful life of the asset as applicable;
- Plant and machinery (other) – Reducing balance 3–5 years;
- Mine property and development assets – Unit of production (tonnes mined);
- Exploration and evaluation assets – Not depreciated; and
- Construction in progress – Not depreciated.

Depreciation and amortisation commences when an asset is available for use.

The unit of production method is applied based on assessments of proven and probable Ore Reserves and a portion of Mineral Resources available to be mined or processed by the current production equipment to the extent that such resources are considered to be economically recoverable. Mineral Resources and Ore Reserves estimates are reviewed annually. The depreciation and amortisation expenses calculation reflects the estimates in place at the reporting date, prospectively.

(a) Exploration and evaluation expenditure

Exploration and evaluation activities include expenditure to identify potential Mineral Resources, determine the technical feasibility and assess the commercial viability of the potential Mineral Resources.

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 phase, are recognised in the consolidated statement of profit or loss.

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area-of-interest basis:

- Once an area has been deemed technically feasible and commercially viable, and the feasibility phase has been approved; or
- The expenditure relates to an area of interest acquired as part of an asset acquisition or business combination and the exploration and evaluation asset was measured at fair value on acquisition.

Exploration and evaluation assets are treated as tangible assets and 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 carried forward if the rights to the area of interest are current and the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by the sale of the asset.

The assets are monitored for indications of impairment and an assessment is performed where an indicator of impairment exists. For the purpose of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. Refer to Note 2.7 for further details.

(b) Development expenditure

Once the technical feasibility and commercial viability of the development of 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 construction in progress within property, plant and equipment.

The following assets are classified directly as mine property and development assets from the commencement of development:

- Mineral rights balances representing identifiable exploration and evaluation assets including Mineral Resources and Ore Reserves acquired as part of a business combination and recognised at fair value at the date of acquisition; and
- Mine rehabilitation, restoration and dismantling assets.

All subsequent expenditure to develop the mine to the production phase is capitalised and classified as construction in progress. On completion of development, construction in progress balances are reclassified to land and buildings, plant and machinery or mine property and development categories of property, plant and equipment as appropriate.

(c) Overburden and waste removal

Overburden and other waste removal costs incurred in the development phase of a mine before production commences are initially capitalised as part of construction in progress. At the completion of development, costs are transferred to the mine property and development category of property, plant and equipment.

The Group defers a portion of waste removal costs incurred during the production phase of an open-pit operation as part of determining the cost of inventories. Current period waste mining expenses are allocated between current period

inventory and deferred waste assets based on the ratio of waste tonnes mined to ore tonnes mined (waste to ore ratio). The amount of deferred waste asset is calculated for each separate component of the ore body identified based on mine plans. Current period expenses are deferred to the extent that the current period waste to ore ratio exceeds the life-of-mine waste to ore ratio for the identified component. Deferred waste assets are categorised in the mine property and development category of property, plant and equipment and are amortised over the life of the component on a units-of-production basis. Changes to estimates are accounted for prospectively.

(d) Other expenditure

When further development expenditure is incurred in respect of the mine property after the commencement of the production phase, or additional property, plant and equipment are acquired, such expenditure is capitalised and carried forward 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.

Major spare parts 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the accounting period in which they are incurred.

(e) Disposal of property, plant and equipment

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss within other income.

2.6 INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the purchase consideration over the interest of the Group in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the non-controlling interest in the acquiree.

Goodwill is not amortised and is tested for impairment annually (refer to Note 2.7). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, 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.

Software development

Development costs that are directly attributable to the design, testing and deployment of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs include direct materials, employee costs, services and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria and costs associated with maintaining computer software programs is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software development assets are amortised over their estimated useful lives, which do not exceed seven years.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

All intangible assets that have an indefinite useful life, for example goodwill, or are not ready for use are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

Other non-financial 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use of an asset. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Any impairment loss related to goodwill is recognised immediately as an expense and is not subsequently reversed. Any impairment loss related to non-financial assets other than goodwill is reviewed and may be reversed at subsequent reporting dates. A reversal of previously recognised

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

impairment loss is limited to the lesser of the amount that would not cause the carrying amount to exceed its recoverable amount or the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised.

2.8 ASSETS HELD FOR SALE

Assets (or disposal groups) are classified as assets (and liabilities) 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 the carrying amount and fair value less costs to sell.

2.9 FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. 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.

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 statement of profit or loss. 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. 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 are presented in the consolidated statement of profit or loss within expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the right of the Group to receive payment is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparties.

Impairment of financial assets

(a) Assets carried at amortised cost

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. 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 a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is 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 statement of profit or loss. If a loan 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 consolidated statement of profit or loss.

2.10 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 at the end of each reporting period. 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 its derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow 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 statement of profit or loss.

Cash flow hedges are accounted for as follows:

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised assets or liability or a highly probable forecast transaction that could affect the consolidated statement of comprehensive income. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in the consolidated statement of profit or loss. The Group uses forward exchange contracts (FECs) to hedge purchases in foreign currencies. The FECs are accounted for as cash flow hedges. Refer Note 13 and Note 32 for details.

Amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset when the hedged item (i.e. non-financial asset) recognised in the statement of financial position.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are reclassified to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction to which the hedging instrument relates is not expected to occur, the amounts previously recognised in equity are reclassified to the consolidated statement of profit or loss.

2.11 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 of the obligation under the contract, as 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".

2.12 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.

2.13 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

2.14 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. In the consolidated statement of financial position, bank overdrafts, if any, are shown within borrowings in current liabilities.

2.15 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 convertible redeemable preference shares) 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.

2.16 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.

2.17 COMPOUND FINANCIAL INSTRUMENTS

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

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 end of the reporting period.

2.18 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, otherwise a corresponding expense is recognised in the profit or loss. 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 discount on provisions, which is recognised as a finance cost in the consolidated statement of profit or loss. 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.

2.19 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 an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are 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.

2.20 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 statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position 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 statement of profit or loss 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 reporting 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 CURRENT AND DEFERRED INCOME TAX

The tax expense recognised for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, 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 subsequently enacted at the reporting date in the places where the Company's subsidiaries 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 reporting 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, 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 consolidated 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.

2.22 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 within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.23 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 reporting 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 multiple equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options or performance shares 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/performance shares granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and remaining employees of the entity over a specified period).

Non-market vesting conditions are included in assumptions about the number of options/performance shares 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 reporting date, the Group revises its estimates of the number of options/performance shares 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 statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

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 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 the Group's concentrate sales allow for a price adjustment based on a final assay of the goods determined after discharge. Recognition of the sales revenue for these products is based on the most recently determined estimate of product assays with a subsequent adjustment made to revenue upon final determination.

The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for contained metal is based on prevailing spot prices during a specified future date range after shipment to the customer (quotational period). Adjustment to the sales price occurs based on movements in quoted market prices up to the completion of the quotational period. The period between provisional invoicing and quotational period completion is typically between 30 and 120 days.

The fair value of the final sales price adjustment is re-estimated continually 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) Interest income

Interest income is recognised on a time-proportion basis, using the effective interest method.

2.25 LEASES

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 statement of profit or loss on a straight-line basis over the period of the lease.

2.26 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, as appropriate.

3. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.1 ESTIMATES

(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 2.18. 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 the application of environmental legislation, the scope and timing of planned activities, 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. For non-operating sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

(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 Mineral Resources and Ore Reserves estimates can impact the carrying value of property, plant and equipment through depreciation, 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 consolidated statement of profit or loss. The changes are effective from next financial year following Board approval of the revised Mineral Resources and Ore Reserves estimates.

(c) Income taxes and other taxes

The Group is subject to taxes in a number of jurisdictions. Some of these are in countries that carry higher levels of sovereign risk. Management continually assesses the levels of sovereign risk in other jurisdictions in determining whether political and administrative changes and reforms in laws, regulations or taxation may impact the Group's future performance.

Significant judgement is required in determining the tax position and the estimates and assumptions in relation to the provision for taxes and the recovery of tax assets, having regard to the nature and timing of their origination and compliance with the relevant tax legislation. There are

some tax matters 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 tax balances 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 of the Group's cash-generating units and development projects is determined as the higher of the asset's fair value less costs of disposal and its value in use in accordance with the accounting policy in Notes 2.7 and 14. These calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, exploration potential, future capital requirements and future operating performance.

Indicators of impairment and potential impairment reversal were identified as at 31 December 2017. These included changes to the Life of Asset ("LOA") for the Sepon mine, the political environment in the Democratic Republic of the Congo ("DRC") and progress on the Dugald River project, which resulted in assessing if an impairment or a reversal of impairment is required, refer to Note 14 for details.

3.2 JUDGEMENTS

Determination of control of subsidiaries

The Group exercises judgement to determine when MMG has control of subsidiaries in accordance with the accounting policy outlined in Note 2.2(b). This control assessment considers whether the Group has the power to direct the relevant activities that significantly affect the returns of subsidiaries.

As outlined in Note 17, the Group has assessed the investment holding company of the Las Bambas mine, MMG South America Management Company (Las Bambas Joint Venture Company), to be a subsidiary of the Group. The Group holds a 62.5% equity interest in the Las Bambas Joint Venture Company and controls the simple majority of votes cast on the board of directors. Under the terms of the Shareholders' Agreement, decisions on certain matters require prior approval of the Las Bambas Joint Venture Company board by such number of the directors that together hold more than 85% of the total voting entitlements of all directors entitled to vote. The Group

has judged that the clauses related to these matters convey in principle protective rights to other investors and not substantive rights. This judgement will be reassessed by the Group on an ongoing basis. Different conclusions around these judgements may materially impact how Las Bambas balance sheet items, comprehensive income items and cash flows are presented in the consolidated financial statements; whether amounts are presented under the full consolidation method or presented in line with the equity accounting.

4. 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. The Executive Committee reviews the Group’s internal reporting of these operations in order to assess performance and allocate resources.

The Group disposed of its Golden Grove and Century mines on 28 February 2017 and Avebury mine on 7 July 2017. Refer to Note 5 for more details. Accordingly, the operating results for the period from 1 January 2017 to 28 February 2017 of Golden Grove and Century are still reflected in the respective segment results, while their assets and liabilities are not consolidated into the Group from 28 February 2017 onward. Also, the operating results for the period from 1 January 2017 to 7 July 2017 of Avebury is still reflected in the segment results, while its assets and liabilities is not consolidated into the Group from 7 July 2017 onward.

The Group’s reportable segments are as follows:

Las Bambas	The Las Bambas mine is a large open-pit, scalable, long-life copper and moly mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru. The Las Bambas mine was commissioned for accounting purposes on and from 1 July 2016.
Sepon	Sepon is an open-pit copper mining operation located in southern Laos.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of the Congo (DRC).
Australian Operations	Includes Rosebery and Golden Grove. Rosebery is an underground polymetallic base metal mining operation located on Tasmania’s west coast. Golden Grove is an underground and open-pit base and precious metals mining operation located in Western Australia’s mid-west, which was disposed on 28 February 2017.
Other	Includes Century mine located in North-West Queensland Australia, which was disposed on 28 February 2017 and Avebury mine located in North-West Tasmania Australia, which was disposed on 7 July 2017. This segment also includes exploration and development projects (including the Dugald River project) as well as the results of corporate entities in the Group.

A segment result represents the EBIT by each segment. This is the measure reported to the Company’s Executive Committee for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the Company’s Executive Committee is measured in a manner consistent with that in these consolidated financial statements.

Segment assets exclude current income tax assets, deferred income tax assets and net inter-segment receivables. Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and net inter-segment loans. The excluded assets and liabilities are presented as part of the reconciliation to total consolidated assets or liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The segment revenue and results for the years ended 31 December 2017 and 2016 are as follows:

FOR THE YEAR ENDED 31 DECEMBER 2017						
US\$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
Revenue from third parties	1,337.0	315.2	500.9	305.2	8.3	2,466.6
Revenue from CMC (Note 31(a))	1,599.9	76.7	-	-	-	1,676.6
Revenue	2,936.9	391.9	500.9	305.2	8.3	4,143.2
EBITDA (excluding gains on disposal of subsidiaries)	1,740.8	119.2	178.7	156.1	(163.4)	2,031.4
Depreciation and amortisation expenses	(589.4)	(114.4)	(144.2)	(73.9)	(11.1)	(933.0)
EBIT (excluding gains on disposal of subsidiaries)	1,151.4	4.8	34.5	82.2	(174.5)	1,098.4
Gains on disposal of subsidiaries (Note 5)						178.6
Finance income						8.8
Finance costs						(542.3)
Income tax expense						(395.1)
Profit for the year						348.4
Other segment information:						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	361.8	54.3	63.1	62.8	294.2	836.2
US\$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
Segment assets	11,304.2	624.5	980.2	414.6	1,209.9 ¹	14,533.4
Current/deferred income tax assets						256.2
						14,789.6
Segment liabilities	6,744.4	282.3	228.5	165.0	3,519.4 ²	10,939.6
Current/deferred income tax liabilities						878.2
						11,817.8

FOR THE YEAR ENDED 31 DECEMBER 2016

US\$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
Revenue from third parties	536.5	263.3	400.4	423.4	24.8	1,648.4
Revenue from CMC (Note 31(a))	687.7	127.5	-	25.2	-	840.4
Revenue	1,224.2	390.8	400.4	448.6	24.8	2,488.8
EBITDA	655.0	101.5	116.3	179.4	(103.0)	949.2
Depreciation and amortisation expenses	(249.8)	(138.2)	(184.4)	(103.5)	(8.6)	(684.5)
EBIT	405.2	(36.7)	(68.1)	75.9	(111.6)	264.7
Finance income						3.3
Finance costs						(316.3)
Income tax expense						(50.4)
Loss for the year						(98.7)

Other segment information:

Additions to non-current assets

(excluding deferred tax assets,

inventories and financial instruments)

704.1	62.2	24.0	78.8	230.4	1,099.5
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US\$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
Segment assets	11,378.9	691.3	1,044.4	632.9	1,185.9 ¹	14,933.4
Current/deferred income tax assets						296.6
						15,230.0
Segment liabilities	7,454.7	244.7	138.5	193.9	3,922.5 ²	11,954.3
Current/deferred income tax liabilities						686.1
Segment liabilities						12,640.4

1. Included in segment assets of US\$1,209.9 million (31 December 2016: US\$1,185.9 million) for the Other segment are cash of US\$194.4 million (31 December 2016: US\$280.7 million) mainly held at Group treasury entities and Dugald River Project, property, plant and equipment of US\$688.1 million (31 December 2016: US\$356.6 million) for Dugald River, trade receivables of US\$108.4 million (31 December 2016: US\$242.8 million) for MMG South America Company Limited in relation to copper concentrate sales, and a loan to a related party of US\$120.0 million (2016: US\$95.0 million).

2. Included in segment liabilities of US\$3,519.4 million (31 December 2016: US\$3,922.5 million) for the Other segment are borrowings of US\$2,929.2 million (31 December 2016: US\$3,271.7 million), which are managed at Group level. Also included in Other segment liabilities are bank guarantee financial liabilities of US\$151.3 million and costs of support package of US\$17.9 million associated with the disposal of the Century mine, refer to Note 5 for more details (31 December 2016: rehabilitation provisions of US\$316.9 million at the Century mine, which was derecognised following its disposal in 2017).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. DISPOSAL OF SUBSIDIARIES

SALE OF GOLDEN GROVE MINE

The Group completed the sale of the Golden Grove mine to EMR Capital Holdings Pty Ltd ("EMR Capital") on 28 February 2017 for gross proceeds of US\$210.0 million. All conditions for completion were met on 28 February 2017 and the Group lost control of and ceased to consolidate Golden Grove from that date. The sale agreement provided EMR Capital the economic benefit of operations at Golden Grove from 1 January 2017 and a post settlement adjustment was made to the sale price to reflect the effective date of ownership.

SALE OF CENTURY MINE

On 28 February 2017 the Group entered into agreements with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd ("Century Bull") which is independent of the Group, to effect the disposal of assets and infrastructure associated with the Century mine. The disposal benefitted the Group by transferring the assets and rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites whilst capping the Group's potential liabilities related to the Century mine. The sale completed on 28 February 2017.

As at 28 February 2017, the book value of the Century mine amounted to a net liability of US\$172.8 million including rehabilitation liabilities of US\$337.8 million. As a part of the terms of the sale the Group has procured certain bank guarantees amounting to A\$193.7 million (equivalent to US\$148.8 million) for the benefit of Century Bull until 31 December 2026. The guarantees have been procured to support certain obligations Century Bull is required to perform in operating the Century Mine business including rehabilitation activities. Century Bull is legally required to

punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees.

The Group recognises the fair value of the guarantee as a financial liability until expiry of the guarantee period which is capped at a maximum of A\$193.7 million (equivalent to US\$148.8 million). Century Bull must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In addition the Group will make an additional contribution totalling A\$34.5 million (equivalent to US\$26.5 million) over three years (A\$11.5 million has been paid as of 31 December 2017), to provide short term support to Century Bull during their transition period in respect to their obligations around site upkeep and environmental maintenance and monitoring. The Group also established a special purpose trust of A\$12.1 million (equivalent to US\$9.3 million), managed independently by Equity Trustees to support Century Bull in meeting the Century mine's existing obligations and agreed community projects for the benefit of Lower Gulf communities. This fund was drawn in full during 2017.

SALE OF AVEBURY

In September 2016, MMG entered into a sale agreement with Dundas Mining Pty Ltd for the sale of the Avebury nickel mine for consideration of A\$25 million (equivalent to US\$19.0 million). Completion of the sale occurred on 7 July 2017.

The operating results for the period from 1 January 2017 to 28 February 2017 of the Golden Grove and Century mines and the operating result for the period from 1 January 2017 to 7 July 2017 of Avebury mine are still consolidated into the Group's financial statement of profit or loss for the current year.

Assets and liabilities disposed:

	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION	AVEBURY US\$ MILLION	TOTAL US\$ MILLION
Current assets				
– Trade and other receivables	4.2	0.5	-	4.7
– Inventories	33.7	-	-	33.7
Non-current assets				
– Property, plant and equipment	206.9	1.4	18.8	227.1
– Deferred income tax assets	4.0	163.5	1.4	168.9
Current liabilities				
– Employee Provisions	6.6	0.2	0.2	7.0
– Trade and other payables	10.0	0.2	-	10.2
– Mine rehabilitation, restoration and dismantling provisions	-	19.9	4.5	24.4
Non-current liabilities				
– Mine rehabilitation, restoration and dismantling provisions	39.5	317.9	-	357.4
– Employee Provisions	0.7	-	-	0.7
Net assets/(liabilities) disposed of	192.0	(172.8)	15.5	34.7

The Group's gains on disposal of subsidiaries are as follows:

	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION	AVEBURY US\$ MILLION	TOTAL US\$ MILLION
Consideration received	210.0	-	19.0	229.0
Net (assets)/liabilities disposed of (excluding deferred taxes)	(188.0)	336.3	(14.1)	134.2
Fair value of financial liability in relation to the bank guarantee (A\$193.7 million) associated with Century disposal	-	(148.8)	-	(148.8)
Cost of support package (total A\$46.6 million) associated with Century disposal	-	(35.8)	-	(35.8)
Total net (assets)/liabilities disposed after adjustments	(188.0)	151.7	(14.1)	(50.4)
Gain on disposal (pre-tax)	22.0	151.7	4.9	178.6
Deferred tax balances disposed of	(4.0)	(163.5)	(1.4)	(168.9)
Gain/(loss) on disposal (post-tax)	18.0	(11.8)	3.5	9.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Net cash inflow/ (outflow) on disposal of subsidiaries:

	FOR THE YEAR ENDED 31 DECEMBER 2017			
	GOLDEN GROVE US\$ MILLION	CENTURY US\$ MILLION	AVEBURY US\$ MILLION	TOTAL US\$ MILLION
Consideration received in cash and cash equivalents	210.0	-	19.0	229.0
Less: cash and cash equivalent balances disposed of	-	-	-	-
Less: completion adjustment payment	(2.5)	-	-	(2.5)
Less: payments on support package associated with Century disposal	-	(18.1)	-	(18.1)
	207.5	(18.1)	19.0	208.4

6. OTHER (LOSS)/INCOME

	2017 US\$ MILLION	2016 US\$ MILLION
Gain on disposal of financial assets	-	6.3
(Loss)/gain on changes in fair value of commodity price contracts	(24.4)	21.5
Loss on disposal of property, plant and equipment	(2.3)	-
Other (loss)/income	(8.3)	12.5
Total other (loss)/income	(35.0)	40.3

7. EXPENSES

Profit/(loss) before income tax includes the following specific expenses:

	2017 US\$ MILLION	2016 US\$ MILLION
Changes in inventories of finished goods and work in progress	(11.3)	43.5
Write-down of inventories to net realisable value	18.1	70.5
Employee benefit expenses ¹	255.7	211.5
Contracting and consulting expenses	474.2	310.9
Energy costs	269.6	207.3
Stores and consumables costs	449.2	330.8
Depreciation and amortisation expenses ²	889.1	676.1
Operating lease rental ³	21.0	26.9
Other production expenses	129.7	18.9
Cost of goods sold	2,495.3	1,896.4
Other operating expenses ¹	42.4	58.6
Royalty expenses	141.8	88.2
Selling expenses	116.5	90.0
Operating expenses including depreciation and amortisation⁴	2,796.0	2,133.2
Exploration expenses ^{1,2,3}	45.6	38.8
Administrative expenses ^{1,3}	81.7	57.9
Auditor's remuneration	1.5	1.4
Foreign exchange losses/(gains) – net	49.4	(12.1)
(Gain)/loss on financial assets at fair value through profit or loss	(4.6)	0.1
Other expenses ^{1,2,3}	40.2	45.1
Total expenses	3,009.8	2,264.4

1. In aggregate US\$132.4 million (2016: US\$114.5 million) employee benefit expenses by nature is included in the administrative expenses, exploration expenses, other operating expenses and other expenses categories. Total employee benefit expenses were US\$388.1 million (2016: US\$326.0 million) (Note 12).

2. In aggregate US\$43.9 million (2016: US\$8.4 million) depreciation and amortisation expenses are included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US\$933.0 million (2016: US\$684.5 million).

3. In aggregate, an additional US\$10.3 million (2016: US\$9.2 million) operating lease rentals are included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals were US\$31.3 million (2016: US\$36.1 million).

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

8. FINANCE INCOME AND FINANCE COSTS

	2017 US\$ MILLION	2016 US\$ MILLION
Finance income		
Interest income on cash and cash equivalents ¹ (Note 29)	8.8	3.3
	8.8	3.3
Finance costs		
Interest expense on bank borrowings	(370.8)	(366.2)
Interest expense on convertible redeemable preference shares	(20.1)	(19.7)
Interest expense on related party borrowings (Note 31(a))	(102.5)	(91.3)
Unwinding of discount on provisions	(16.6)	(28.1)
Other finance cost on external borrowings	(50.8)	(19.9)
Other finance cost on related party borrowings (Note 31(a))	(4.1)	(9.2)
Finance costs – total	(564.9)	(534.4)
Less: Borrowing costs capitalised in relation to qualifying assets ²	22.6	218.1
Finance costs – net of capitalised borrowing costs (Note 29)	(542.3)	(316.3)

1. US\$nil (2016: US\$ 6.7 million) interest income was capitalised on qualifying assets, which form part of the additions to the cost of property, plant and equipment.

2. Borrowing costs capitalised include finance costs on borrowings held to specifically fund the assets, and finance costs on general borrowings capitalised at the rate of 5.5% (2016: 4.0%) per annum representing the average interest rate on relevant borrowings.

9. INCOME TAX EXPENSE

Hong Kong profits tax is provided at a rate of 16.5% where there are net assessable profits derived for the year. The income tax rates applicable for the main jurisdictions in which the Group operates are: Australia (30.0%), Laos (33.3%), Peru (32.0%) and the DRC (30.0%). Tax rates for some jurisdictions are covered by historical legal agreements with governments. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable

profits for the year at the rates prevailing in the relevant jurisdictions.

The Group recognises deferred tax assets if it is probable that future taxable amounts will be available to utilise those deductible temporary differences and unused tax losses in the foreseeable future. Management will continue to assess the recognition of deferred tax assets in future reporting periods.

	2017 US\$ MILLION	2016 US\$ MILLION
Current income tax expense – Overseas income tax	(121.8)	(36.7)
	(121.8)	(36.7)
Deferred income tax expense – Overseas income tax ⁽ⁱ⁾	(273.3)	(13.7)
	(273.3)	(13.7)
Income tax expense	(395.1)	(50.4)

(i) Included in the 2017 deferred income tax expense is US\$168.9 million (of which, US\$166.2 million arises from deferred tax balance movement (Note 19) and US\$2.7 million arises from asset/liability held for sale movements (Note 30)) associated with the disposals of Century, Golden Grove and Avebury mines, refer to Note 5 for more details.

There is no deferred tax impact relating to items of other comprehensive income (2016: US\$nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The tax on the Group's profit/(loss) before income tax differs from the prima facie amount that would arise using the applicable tax rate to profit/(loss) of the consolidated companies as follows:

	2017 US\$ MILLION	2016 US\$ MILLION
Profit/(loss) before income tax	743.5	(48.3)
Calculated at domestic tax rates applicable to profits in the respective countries	(222.6)	(12.0)
Net non-taxable amounts ¹	77.3	3.5
Net unrecognised deferred tax assets ²	(40.3)	(43.0)
Previously unrecognised tax losses now recognised as deferred tax assets	49.9	10.8
Over provision in prior years	22.2	18.4
Non-recoverable withholding tax	(102.7)	(28.1)
Derecognition of deferred tax balances associated with disposal of subsidiaries (Note 5)	(168.9)	-
Others	(10.0)	-
Income tax expense	(395.1)	(50.4)

1. Amount in 2017 primarily relates to the gains from divestments of Century, Golden Grove and Avebury, which were non-taxable in Singapore.

2. Amounts in 2017 and 2016 relate mainly to costs not presently deductible in Hong Kong.

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary

shares. For the Company's share options and performance awards on issue, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and performance awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and performance awards.

	FOR THE YEAR ENDED 31 DECEMBER	
	2017 US\$ MILLION	2016 US\$ MILLION
Profit/(loss) attributable to equity holders of the Company in the calculation of basic and diluted earnings/(loss) per share	147.1	(152.7)
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in the calculation of the basic earnings/(loss) per share	7,948,885	6,163,972
Shares deemed to be issued in respect of long-term incentive equity plans	162,903	-
Weighted average number of ordinary shares used in the calculation of the diluted earnings/(loss) per share ^{1,2}	8,111,788	6,163,972
Basic earnings/(loss) per share	US 1.85 cents	(US 2.48 cents)
Diluted earnings/(loss) per share	US 1.81 cents	(US 2.48 cents)

1. Diluted loss per share is the same as basic loss per share for year ended 31 December 2016. In 2016, potential ordinary shares are anti-dilutive as their conversion to ordinary shares will result in a decrease of loss per share. The calculation of diluted earnings/(loss) per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings/(loss) per share.

2. The conversion of convertible redeemable preference shares (CRPS) as issued by Topstart Limited ("Topstart"), a subsidiary of the Company, would result in an anti-dilutive impact to the earnings/(loss) per share, as such the calculation of diluted earnings/(loss) per share does not assume conversion.

11. DIVIDENDS

The Directors did not recommend the payment of an interim or final dividend for the year ended 31 December 2017 (2016: US\$nil).

12. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

(a) Total employee benefit expenses

	2017 US\$ MILLION	2016 US\$ MILLION
Salaries and other benefits	375.0	308.6
Retirement scheme contributions (b)	13.1	17.4
Total employee benefit expenses (Note 7)	388.1	326.0

(b) 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\$1,500 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 9.5% of ordinary time earnings of the Australian-based employee. The Group provides for retirement benefits to those employees who reach statutory retirement age in the Democratic Republic of Congo (DRC) in accordance with the Collective Bargaining Agreement with its employees at the Kinsevere mine. A provision for the retirement benefit is recognised which is measured as the present value of the expected future payments to be made taking into consideration the period of employee service and their job position as at the reporting date.

Total contributions made for the year ended 31 December 2017 amounted to US\$13.1 million (2016: US\$17.4 million).

13. DERIVATIVE FINANCIAL INSTRUMENTS

DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)	2017 US\$ MILLION	2016 US\$ MILLION
Forward foreign exchange contracts ¹	0.4	(4.6)
Foreign exchange option contracts ¹	0.1	(1.2)
Total (Note 32.4)	0.5	(5.8)
Commodity price contracts – derivatives ²	-	16.7
Total (Note 32.4)	-	16.7

1. To protect against exchange rate (USD vs AUD) movements affecting the value of forecast payments in relation to the Dugald River project, the Group has entered into the following two types of financial instrument:

- (i) Forward foreign exchange contracts (FECs): the notional principal amount of the outstanding FECs at 31 December 2017 was US\$11.2 million (2016: US\$140.1 million), with a corresponding fair value of US\$0.4 million, recorded as a derivative financial asset (2016: US\$4.6 million derivative financial liability). FECs qualified for cash flow hedge accounting.
 - (ii) Foreign exchange option contracts (Collars): the Group has constructed Collars by entering into a combination of purchased call and written put options as a single hedging instrument. The fair value of the outstanding Collars at 31 December 2017 was US\$0.1 million derivative financial asset (2016: US\$1.2 million derivative financial liability). Cash flow hedge accounting was not applied to Collars.
2. The notional principal amounts of the outstanding commodity price contracts at 31 December 2016 was US\$429.4 million, with a corresponding fair value of US\$16.7 million, recorded as a derivative financial asset. The final commodity contract was settled in April 2017 with a total net loss of US\$2.9 million resulting from the commodity price contract programme. As at 31 December 2017, there were no commodity price contracts in place. Cash flow hedge accounting was not applied to the commodity price contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. PROPERTY, PLANT AND EQUIPMENT

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 2017						
Cost	856.8	4,528.6	8,751.3	177.2	1,216.2	15,530.1
Accumulated depreciation, amortisation and impairment	(129.7)	(1,273.2)	(1,362.8)	(106.7)	(573.4)	(3,445.8)
Net book amount at 1 January 2017	727.1	3,255.4	7,388.5	70.5	642.8	12,084.3
Year ended 31 December 2017						
At the beginning of the year	727.1	3,255.4	7,388.5	70.5	642.8	12,084.3
Additions ¹ (Note 29(b))	7.5	70.5	174.9	30.6	514.3	797.8
Depreciation and amortisation	(44.9)	(321.3)	(530.1)	-	-	(896.3)
Disposals, net	-	(2.3)	-	-	-	(2.3)
Transfers, net	8.3	207.4	98.2	-	(313.9)	-
Subtotal	698.0	3,209.7	7,131.5	101.1	843.2	11,983.5
Disposal of Century Mine, net (Note 5)	(1.4)	-	-	-	-	(1.4)
At the end of the year	696.6	3,209.7	7,131.5	101.1	843.2	11,982.1
As at 31 December 2017						
Cost	825.0	4,443.0	8,608.8	207.8	1,416.6	15,501.2
Accumulated depreciation, amortisation and impairment	(128.4)	(1,233.3)	(1,477.3)	(106.7)	(573.4)	(3,519.1)
Net book amount at 31 December 2017	696.6	3,209.7	7,131.5	101.1	843.2	11,982.1

1. During the year, the Group capitalised borrowing costs of US\$22.6million (2016: US\$211.4million) on qualifying assets, which form part of the additions to the cost of property, plant and equipment. The cash payment of interest capitalised is included within 'Interest and financing costs paid' in the consolidated statement of cash flows.

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 2016						
Cost	168.7	1,982.3	4,099.9	106.7	8,704.2	15,061.8
Accumulated depreciation and amortisation	(111.3)	(1,150.6)	(1,246.8)	(106.7)	(573.4)	(3,188.8)
Net book amount at 1 January 2016	57.4	831.7	2,853.1	-	8,130.8	11,873.0
Year ended 31 December 2016						
At the beginning of the year	57.4	831.7	2,853.1	-	8,130.8	11,873.0
Additions ¹	2.2	3.4	217.6	0.5	858.8	1,082.5
Depreciation and amortisation	(28.8)	(237.7)	(393.0)	-	-	(659.5)
Disposals (net)	(0.4)	(1.2)	(0.7)	(0.8)	-	(3.1)
Transfers (net)	701.9	2,703.8	4,862.1	70.8	(8,338.6)	-
Subtotal	732.3	3,300.0	7,539.1	70.5	651.0	12,292.9
Transferred to disposal group classified as held for sale (Note 30)	(5.2)	(44.6)	(150.6)	-	(8.2)	(208.6)
At the end of the year	727.1	3,255.4	7,388.5	70.5	642.8	12,084.3
As at 31 December 2016						
Cost	856.8	4,528.6	8,751.3	177.2	1,216.2	15,530.1
Accumulated depreciation, amortisation and impairment	(129.7)	(1,273.2)	(1,362.8)	(106.7)	(573.4)	(3,445.8)
Net book amount at 31 December 2016	727.1	3,255.4	7,388.5	70.5	642.8	12,084.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IMPAIRMENT TESTING OF NON-CURRENT ASSETS AND GOODWILL

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 31 December. Cash Generating Units ("CGUs") are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made at the reporting period.

Indicators of impairment and potential impairment reversal were identified as at 31 December 2017. These included changes to the LOA for the Sepon mine, the political environment in the DRC and progress on the Dugald River project, which resulted in assessing if an impairment or a reversal of impairment is required.

Las Bambas is subject to impairment testing due to Goodwill being attributed to the CGU which requires an annual impairment assessment.

(i) Approach

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of each CGU has been estimated using the higher of its fair value less costs of disposal or its Value in Use ("Fair Value"). The Fair Value estimates are considered to be level 3 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process, including LOA plans, three year budgets, periodic forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise and reduce operational activity, apply technology, improve capital and labour productivity and other production efficiencies are also included along with the expected costs to realise the initiatives.

All Mineral Resources and Ore Reserves have been included in the valuations at justifiable reasonable conversion rates, supported by proof of concept studies. Exploration targets are supported on reasonable grounds.

(ii) Key assumptions

The key assumptions impacting the discounted cash flow models used to determine the Fair Value include:

- Commodity prices;
- Operating costs;

- Capital requirements;
- Real post-tax discount rates;
- Foreign exchange rates;
- Mineral Resources and Ore Reserves and exploration targets;
- Optimisation of operational activity and productivity; and
- Rehabilitation timing.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of both external consultants and experts within the Group to validate entity specific assumptions such as Mineral Resources and Ore Reserves and exploration targets.

Commodity price and exchange rate assumptions are based on the latest internal forecasts benchmarked to analyst consensus forecasts. The long term cost assumptions are based on actual costs adjusted for planned operational changes and input cost assumptions over the life of mine.

The long term AUD:USD exchange rate is unchanged from 2016 at 0.80.

The real post-tax discount rates used in the Fair Value estimates for each of the CGU's are 7% for both Sepon and the Australian assets (2016: 7%), 8% for Las Bambas (2016: 8%), and 11% for Kinsevere (2016: 9%).

(iii) Valuation methodology for each CGUs

The methodology for valuing each of the CGU in the Group is discussed below.

Sepon

The Sepon Fair Value is determined by the 2017 LOA discounted cashflows and supported by resource multiples for the gold reserves and resources. These include copper processing to 2020 (2016: 2021) followed by the processing of gold Mineral Resources and Ore Reserves in later years. The Sepon Fair Value assumes additional capital investment in the processing plant to process gold beyond 2020 and deferral of rehabilitation to completion of the gold project.

Kinsevere

The Kinsevere Fair Value is determined through the 2017 LOA discounted cashflows. The valuation contains the current operation, further regional exploration potential and third party ore processing prospects. The cashflows assume additional capital investment in the processing plant to process sulphide ore under the current DRC Mining Code, which also extends the mine life.

Subsequent to the reporting date the DRC Government has proposed changes to the DRC Mining Code which have not yet been enacted. The Group along with other industry participants are actively engaged in discussion with the

DRC Government to negate or reduce any negative financial outcomes. Should the negotiations be unsuccessful and the current proposals be effected there is likely to be an impairment of the carrying value of Kinsevere.

Las Bambas

The Las Bambas Fair Value is determined through the 2017 LOA discounted cashflows and supported by resource multiples. The valuation contains the current operation and further regional exploration targets included in the initial valuation to acquire the mine in 2014. The cashflows assume additional capital investment in the processing plant as well as expected cost reductions from operational improvement programs underway. Future cash flow forecasts include estimates for the cost of obtaining access to land where the rights do not currently exist.

Dugald River

The Dugald River development project was impaired in December 2015 by US\$573.6 million, pre-tax. The impairment was recognised as a result of further weakening in commodity prices, and industry changes in the region having an adverse effect on the valuation of the project.

The Group revised the Dugald River project plan in 2016 and identified cost savings and consistent improvements in the operational and technical stability of the project resulting in approval for external funding to complete the project. These factors together with recent increases in the zinc price resulted in an evaluation of whether a reversal of impairment should be considered as at 31 December 2017.

Due to the stage of completion of the project, related completion risks and uncertainty associated with the commissioning phase of the operation, as well as the sensitivity of its recoverable amount to zinc price, no reversal of impairment has been recognised as at 31 December 2017. The Group will continue to monitor and assess if a reversal of impairment is required in future periods following the successful commissioning and ramp up of production.

Rosebery

The Rosebery Fair Value is determined through the 2017 LOA discounted cashflows.

(iv) Conclusion

The impairment review of all the Group's operations as at 31 December 2017 has not resulted in the recognition of impairment or impairment reversal of the Group's non-current assets (2016: nil). The Sepon Fair Value remains sensitive to changes in pricing as set out in the sensitivity analysis below.

(v) Sensitivity analysis

The level of production activity is a key assumption in the determination of Fair Value, as well as the success of converting Mineral Resources and Ore Reserves and increasing the resource estimates over the lives of mines. Due to the number of factors that could impact production activity, such as processing throughput, changing ore grade and/or metallurgy and revisions to mine plans in response to physical or economic conditions, no quantified sensitivity has been determined. Changes to these assumptions may however result in an impact on the Fair Value and result in impairment in future.

Each of the below sensitivities assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact (for example, a decline in the US dollar commodity price accompanied with a decline in the Australian dollar compared to the US dollar). Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Sepon

The key assumptions to which the calculation of Fair Value for Sepon is most sensitive are copper and gold prices, reduction in operating costs and the ability to mine gold at the end of the current Copper Life of Mine assumption and deferral of rehabilitation to the end of the gold project. An adverse change of 5% in copper and gold prices over the remaining mine life would decrease the recoverable amount by approximately US\$37 million and US\$35 million respectively. An adverse change of 5% in operating costs would decrease the recoverable amount by approximately US\$56 million, which erodes the head room almost completely.

As announced on 18 October 2017, the Company has initiated an expression of interest process for the Sepon asset. The Company expects an outcome of the potential sale process to be determined in the first half of 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. INTANGIBLE ASSETS

US\$ MILLION	GOODWILL	SOFTWARE DEVELOPMENT	TOTAL
As at 1 January 2017			
Cost	739.9	170.0	909.9
Accumulated amortisation and impairment	(211.4)	(77.9)	(289.3)
Net book amount at 1 January 2017	528.5	92.1	620.6
Year ended 31 December 2017			
At the beginning of the year	528.5	92.1	620.6
Additions	-	38.4	38.4
Amortisation	-	(36.7)	(36.7)
At the end of the year	528.5	93.8	622.3
As at 31 December 2017			
Cost	739.9	208.4	948.3
Accumulated amortisation and impairment	(211.4)	(114.6)	(326.0)
Net book amount at 31 December 2017	528.5	93.8	622.3
As at 1 January 2016			
Cost	739.9	153.0	892.9
Accumulated amortisation and impairment	(211.4)	(52.9)	(264.3)
Net book amount at 1 January 2016	528.5	100.1	628.6
Year ended 31 December 2016			
At the beginning of the year	528.5	100.1	628.6
Additions	-	17.0	17.0
Amortisation	-	(25.0)	(25.0)
At the end of the year	528.5	92.1	620.6
As at 31 December 2016			
Cost	739.9	170.0	909.9
Accumulated amortisation and impairment	(211.4)	(77.9)	(289.3)
Net book amount at 31 December 2016	528.5	92.1	620.6

16. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at 31 December 2017 and 2016:

NAME OF COMPANY	PLACE OF INCORPORATION/ OPERATION	PRINCIPAL ACTIVITIES	PARTICULARS OF ISSUED OR PAID-UP CAPITAL	PROPORTION OF ISSUED CAPITAL HELD BY THE COMPANY			
				2017		2016	
				DIRECTLY	INDIRECTLY	DIRECTLY	INDIRECTLY
MMG Australia Limited	Australia	Mineral exploration and production, management and employment services	490,000,000 Ordinary Shares at A\$1 a share	–	100%	–	100%
MMG Century Limited ³	Australia	Mineral exploration and production	30 Ordinary Shares at A\$1 a share	–	–	–	100%
MMG Dugald River Pty Ltd	Australia	Holds Dugald River Assets	301,902,934 Ordinary Shares at A\$1 a share	–	100%	–	100%
MMG Exploration Pty Ltd	Australia	Investment holding	1 Ordinary Share at A\$1 a share	–	100%	–	100%
MMG Golden Grove Pty Ltd ³	Australia	Holds non-current assets held for sale	1 Ordinary Share at A\$1 a share	–	–	–	100%
MMG Management Pty Ltd	Australia	Treasury and management services	1 Ordinary Share at A\$1 a share	–	100%	–	100%
Allegiance Mining Pty Ltd ³	Australia	Holds non-current assets held for sale	782,455,310 Ordinary Shares at A\$1 a share	–	–	–	100%
Topstart Limited ²	British Virgin Islands	Investment holding	1,386,611,594 Ordinary Shares at US\$1 a share	100%	–	100%	–
Anvil Mining Limited	British Virgin Islands	Investment holding	100 Class A Common Shares at US\$1	–	100%	–	100%
MMG Resources Inc.	Canada	Mineral exploration	200 Common Shares at C\$11 a share	–	100%	–	100%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NAME OF COMPANY	PLACE OF INCORPORATION/ OPERATION	PRINCIPAL ACTIVITIES	PARTICULARS OF ISSUED OR PAID-UP CAPITAL	PROPORTION OF ISSUED CAPITAL HELD BY THE COMPANY			
				2017		2016	
				DIRECTLY	INDIRECTLY	DIRECTLY	INDIRECTLY
MMG Kinsevere SARL	DRC	Mineral exploration and production	10,000 Ordinary Shares at CDF ¹ 10,000 a share	–	100%	–	100%
MMG Exploration Holdings Limited	Hong Kong and Brazil	Mineral exploration and holding company	1 Ordinary Share providing a share capital of HK\$1 ¹	100%	–	100%	–
MMG Finance Limited	Hong Kong	Administration and treasury services	1 Ordinary Share providing a share capital of HK\$1	100%	–	100%	–
MMG South America Company Limited	Hong Kong	Holding company	1,880,000 Ordinary Shares providing a share capital of HK\$1,880,000	100%	–	100%	–
MMG South America Management Company Limited	Hong Kong	Holding investments in Peru	1,200 Ordinary Shares providing a share capital of HK\$28,046,249,501	–	62.5%	–	62.5%
Lane Xang Minerals Limited	Laos	Mineral exploration and production	381,088 Ordinary Shares at US\$1 a share	–	90%	–	90%
MMG Netherlands B.V.	Netherlands	Investment holding	5,000 Ordinary Shares at EUR ¹ 1 a share	–	62.5%	–	62.5%
Minera Las Bambas S.A.	Peru	Mineral exploration and production	2,890,004,037 Common Shares at PEN ¹ 1 a share	–	62.5%	–	62.5%
Album Investment Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S\$ ¹ 1 a share	–	100%	–	100%
Album Resources Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S\$ ¹ 1 a share	–	100%	–	100%
MMG Swiss Finance AG	Switzerland	Investment holding and financial services	100,000 Ordinary Shares at CHF ¹ 1 a share	–	62.5%	–	62.5%

1. A\$, C\$, HK\$, CDF, S\$, PEN, CHF and EUR stand for Australian dollar, Canadian dollar, Hong Kong dollar, Congolese Franc, Singapore dollar, Peruvian Sol, Swiss Franc and Euro respectively.

2. None of the subsidiaries had issued any debt securities at the end of the year except for Topstart which has issued US\$338.0 million CRPS, in which the Group has no interest. Refer to Note 25 for details.

3. These subsidiaries were disposed in 2017. Refer to Note 5 for details.

17. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had total non-controlling interests of US\$1,760.4 million as at 31 December 2017 (2016: US\$1,559.1 million).

Non-controlling interests comprise the following:

	2017 US\$ MILLION	2016 US\$ MILLION
Lane Xang Minerals Limited	51.1	51.9
MMG South America Management Company Limited and its subsidiaries (MMG South America Management Group)	1,567.3	1,365.2
Topstart Limited	142.0	142.0
Total	1,760.4	1,559.1

(a) Summarised financial information for subsidiaries with material non-controlling interests to the Group

This summarised financial information is shown on a 100% basis. It represents the amounts shown in the subsidiaries' financial statements prepared in accordance with HKFRSs under Group's accounting policies, before inter-company eliminations.

US\$ MILLION	MMG SOUTH AMERICA MANAGEMENT GROUP	
	AS AT 31 DECEMBER	
	2017	2016
Summarised Statement of Financial Position		
Assets	11,777.1	11,825.6
Current	1,245.8	1,116.9
Non-current	10,531.3	10,708.7
Liabilities	(7,597.5)	(8,185.1)
Current	(720.1)	(618.5)
Non-current	(6,877.4)	(7,566.6)
Net assets	4,179.6	3,640.5

	YEAR ENDED 31 DECEMBER	
	2017	2016
	Summarised Statement of Comprehensive Income	
Revenue	2,936.9	1,224.2
Profit for the year	539.1	155.0
Total comprehensive income	539.1	155.0
Total comprehensive income attributable to non-controlling interests	202.1	58.1
Dividends paid to non-controlling interests	-	-

	YEAR ENDED 31 DECEMBER	
	2017	2016
	Summarised Statement of Cash Flows	
Net increase in cash and cash equivalents	468.6	72.5
Cash and cash equivalents at 1 January	239.6	167.1
Cash and cash equivalents at 31 December	708.2	239.6

(b) Topstart Limited

The non-controlling interests attributable to Topstart represent the equity component of the CRPS issued by Topstart during the year ended 31 December 2013. The equity component was recognised at the time of issuance as the difference between the fair value of the CRPS as a whole and the fair value of the liability component. Following initial recognition, the equity component is not subsequently remeasured except on conversion or expiry.

As at 31 December 2017 and 2016, the holders of the CRPS do not hold or control any direct ownership interests or voting rights in Topstart. No profit or loss or other comprehensive income of Topstart for the years ended 31 December 2017 and 2016 is attributable to, or allocated to the holders of the CRPS.

On 29 December 2017, Topstart issued a notice to the CRPS holders, advising of its election to redeem all the CRPS on issue. The redemption took effect on 8 January 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. INVENTORIES

	2017 US\$ MILLION	2016 US\$ MILLION
Non-current		
Work in progress	51.9	29.8
Current		
Stores and consumables	140.9	165.0
Work in progress	49.7	86.6
Finished goods	105.5	94.1
	296.1	345.7
Total	348.0	375.5

19. DEFERRED INCOME TAX

The movements in deferred income tax assets/(liabilities) during the years are as follows:

US\$ MILLION	PROPERTY, PLANT AND EQUIPMENT	PROVISIONS	TAX LOSSES	OTHERS	TOTAL
At 1 January 2016	(760.3)	208.6	179.6	(3.4)	(375.5)
(Charged)/credited to profit or loss (Note 9)	(393.5)	83.6	293.9	2.3	(13.7)
Transferred to assets/liabilities of disposal group classified as held for sale (Note 30)	9.6	(11.9)	-	(0.4)	(2.7)
At 31 December 2016	(1,144.2)	280.3	473.5	(1.5)	(391.9)
(Charged)/credited to profit or loss	52.0	(51.6)	(153.8)	49.0	(104.4)
Derecognition of deferred tax balances associated with disposal of subsidiaries	(57.5)	(103.0)	-	(5.7)	(166.2)
At 31 December 2017	(1,149.7)	125.7	319.7	41.8	(662.5)

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 statement of financial position:

	2017 US\$ MILLION	2016 US\$ MILLION
Deferred income tax assets	200.5	291.1
Deferred income tax liabilities	(863.0)	(683.0)
	(662.5)	(391.9)

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 in the foreseeable

future. Management will continue to assess the recognition of deferred tax assets in future reporting periods. As at 31 December 2017 and 2016, the Group had unrecognised deferred tax losses and temporary differences as follow:

	2017 US\$ MILLION	2016 US\$ MILLION
Tax losses (tax effected)	117.3	68.7
Deductible temporary differences (tax effected)	99.9	102.2
At 31 December	217.2	170.9

20. TRADE AND OTHER RECEIVABLES

	2017 US\$ MILLION	2016 US\$ MILLION
Non-current other receivables		
Prepayments	7.6	16.1
Other receivables – government taxes ¹	153.6	79.9
Sundry receivables (Note 32.1(c), (e) and 32.3)	57.7	64.2
	218.9	160.2
	2017 US\$ MILLION	2016 US\$ MILLION
Current trade and other receivables		
Trade receivables ²	236.3	406.6
Less: Allowance for impairment of trade receivables	-	-
Trade receivables (net) (Note 32.1(c), (e) and 32.3)	236.3	406.6
Prepayments	28.0	31.0
Other receivables – government taxes ¹	3.3	311.4
Sundry receivables (Note 32.1(c), (e) and 32.3)	20.1	6.5
	287.7	755.5

1. Other receivables – government taxes:

	2017 US\$ MILLION	2016 US\$ MILLION
Non-current other receivable – Government Taxes		
Peru	99.2	31.8
Democratic Republic of the Congo	45.9	43.0
Other	8.5	5.1
Total government taxes receivables – non-current	153.6	79.9
Current other receivable – Government Taxes		
Peru	-	305.5
Democratic Republic of the Congo	-	3.9
Other	3.3	2.0
Total government taxes receivables – current	3.3	311.4

The government taxes amount mainly consists of VAT receivables.

2. As at 31 December 2017 and 2016, trade receivables of the Group mainly related to the mining operations and development projects. The majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. The ageing analysis of the trade receivables (based on invoice date) is as follows:

	2017		2016	
	US\$ MILLION	%	US\$ MILLION	%
Current trade receivables				
Less than 6 months	236.3	100.0	406.6	100.0
Total	236.3	100.0	406.6	100.0

As at 31 December 2017, US\$nil (2016: US\$2.2 million) trade receivables were past due but not impaired.

As at 31 December 2017, the Group's trade receivables included an amount of US\$102.5 million (2016: US\$228.4 million) (Note 31(d)), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US\$.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. OTHER FINANCIAL ASSETS

	2017 US\$ MILLION	2016 US\$ MILLION
Non-current financial assets (Note 32.3 and 32.4)		
Financial assets at fair value through profit or loss – listed ¹	5.5	0.9
Mine rehabilitation funds	12.3	11.6
	17.8	12.5
Current financial assets (Note 32.3 and 32.4)		
Financial assets at fair value through profit or loss – listed ¹	-	0.2
	-	0.2

1. Other financial assets are listed investments outside Hong Kong and their carrying values are equal to their market values.

22. CASH AND CASH EQUIVALENTS

	2017 US\$ MILLION	2016 US\$ MILLION
Cash at bank and in hand	331.9	335.9
Short-term bank deposits ¹	604.2	216.8
Total² (Note 32.1 (c), (e), 32.3 and 32.5)	936.1	552.7

1. The weighted average effective interest rate on short-term bank deposits as at 31 December 2017 was 1.68% (2016: 1.86%). These deposits have an average 20 days (2016: 20 days) to maturity from 31 December 2017.

2. Total cash and cash equivalents include US\$708.2 million (2016: US\$239.6 million) of cash held limited for use by Las Bambas joint venture and US\$27.8 million (2016: US\$0.3 million) of cash held limited for use by Dugald River project.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2017 US\$ MILLION	2016 US\$ MILLION
US dollars	928.3	521.9
Peruvian sol	1.4	14.7
Australian dollars	1.9	10.0
Hong Kong dollars	1.6	2.6
Others	2.9	3.5
	936.1	552.7

23. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES		SHARE CAPITAL	
	2017 '000	2016 '000	2017 US\$ MILLION	2016 US\$ MILLION
Issued and fully paid:				
At 1 January	7,935,105	5,290,070	2,863.3	2,359.1
Ordinary shares issued ¹	-	2,645,035	-	504.2
Employee share options exercised ²	28,029	-	10.8	-
At 31 December	7,963,134	7,935,105	2,874.1	2,863.3

- On 15 December 2016, a total 2,645,034,944 new shares were issued as a result of the completion of a rights issue of 2,645,034,944 rights shares at HK\$1.50 per rights share on the basis of 1 rights share for every 2 shares held. The gross proceeds from the rights issue was US\$511.2 million, excluding share issue costs of US\$7.0 million.
- During 2017, a total 28,029,021 new shares were issued as a result of employee share options exercised at an exercise price of HK\$2.51 per share under the Company's 2013 share option scheme.

24. RESERVES AND RETAINED PROFITS

US\$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANSLATION RESERVE	AVAILABLE- FOR-SALE FINANCIAL ASSETS RESERVE	CASHFLOW HEDGES RESERVE ¹	MERGER RESERVE ²	SHARE OPTION RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2017	9.4	2.7	-	(4.3)	(1,946.9)	25.2	(1,913.9)	81.1	(1,832.8)
Profit for the year	-	-	-	-	-	-	-	147.1	147.1
Other comprehensive income									
Change in fair value of hedging derivatives	-	-	-	4.3	-	-	4.3	-	4.3
Total comprehensive income for the year	-	-	-	4.3	-	-	4.3	147.1	151.4
Employee long- term incentives	-	-	-	-	-	20.9	20.9	-	20.9
Employee share options exercised	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Employee share options lapsed after vesting	-	-	-	-	-	(1.5)	(1.5)	1.5	-
Total transactions with owners	-	-	-	-	-	17.2	17.2	1.5	18.7
At 31 December 2017	9.4	2.7	-	-	(1,946.9)	42.4	(1,892.4)	229.7	(1,662.7)

- The cashflow hedges reserve records the portion of the gain or loss on a hedging instrument and the related transaction in a cash flow hedge that are determined to be effective.
- 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 (Accounting Guideline 5 issued by the HKICPA) against their share capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

US\$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANSLATION RESERVE	AVAILABLE-FOR-SALE FINANCIAL ASSETS RESERVE	CASHFLOW HEDGE RESERVE ¹	MERGER RESERVE ²	SHARE OPTION RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2016	9.4	2.7	(11.8)	-	(1,946.9)	20.3	(1,926.3)	233.8	(1,692.5)
Loss for the year	-	-	-	-	-	-	-	(152.7)	(152.7)
Other comprehensive income/ (expenses)									
Change in fair value of available-for-sale financial assets	-	-	13.3	-	-	-	13.3	-	13.3
Change in fair value of hedging derivatives	-	-	-	(4.3)	-	-	(4.3)	-	(4.3)
Gain on disposal of available-for-sale financial assets	-	-	(1.5)	-	-	-	(1.5)	-	(1.5)
Total comprehensive income/ (expense) for the year	-	-	11.8	(4.3)	-	-	7.5	(152.7)	(145.2)
Employee long-term incentives	-	-	-	-	-	4.9	4.9	-	4.9
Total transactions with owners	-	-	-	-	-	4.9	4.9	-	4.9
At 31 December 2016	9.4	2.7	-	(4.3)	(1,946.9)	25.2	(1,913.9)	81.1	(1,832.8)

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company does not have any distributable reserves available for distribution to Shareholders (2016: US\$nil).

25. BORROWINGS

	2017 US\$ MILLION	2016 US\$ MILLION
Non-current		
Loan from a related party (Note 31(d))	2,261.3	2,261.3
Bank borrowings, net	6,236.9	7,066.3
Convertible redeemable preference shares	-	188.6
	8,498.2	9,516.2
Current		
Bank borrowings, net	485.5	720.1
Convertible redeemable preference shares	208.8	16.9
	694.3	737.0
Analysed as:		
– Secured	6,800.8	7,772.7
– Unsecured	2,470.1	2,566.8
	9,270.9	10,339.5
Prepayments – finance charges	(78.4)	(86.3)
	9,192.5	10,253.2
Borrowings (excluding: prepayments) were repayable as follows:		
– Within one year	700.9	745.0
– More than one year but not exceeding two years	624.7	2,795.2
– More than two years but not exceeding five years	2,696.1	2,005.7
– More than five years	5,249.2	4,793.6
	9,270.9	10,339.5
Prepayments – finance charges (Note 32.1 (c) and 32.5)	(78.4)	(86.3)
Total (Note 32.3)	9,192.5	10,253.2

An analysis of the carrying amounts of the total borrowings (excluding prepayments) by type and currency is as follows:

	2017 US\$ MILLION	2016 US\$ MILLION
US dollars		
– At floating rates ¹	9,062.1	10,134.0
– At fixed rates	208.8	205.5
	9,270.9	10,339.5

1. Includes borrowings under the US\$2,262.0 million shareholder loan from Top Create, which, effective from 25 July 2018, will move to fixed rates. Refer to Note 31(d).

The effective interest rate at the reporting date was as follows:

	2017	2016
Borrowings	5.2%	4.8%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The CRPS were issued on 5 August 2013 following the completion of certain conditions precedent, with a maturity date of 25 years from the date of issue. The CRPS represent 19.60% of the equity share capital of Topstart. The total consideration paid for the CRPS was US\$338 million. The values of the liability component and the equity conversion component were determined at issuance of the CRPS. Interest on the CRPS is calculated at an effective interest rate of 10% per annum approximating the market rate of interest for a similar debt instrument with the same currency and maturity (2016: 10%). On 29 December 2017, Topstart exercised its unilateral right to issue an irrevocable redemption notice in relation to the CRPS. The redemption formally took effect on 8 January 2018.

As at 31 December 2017, the secured borrowings of the Group were secured as follows:

(a) Approximately US\$470.0 million (2016: US\$330.0 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; 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over all of the shares in MMG Dugald River Pty Ltd (MMG Dugald River); a real property mortgage over all of the interests in land of MMG Dugald River; a general security agreement in respect of all of the assets of MMG Dugald River; and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project and a featherweight charge over all of MMG Australia Limited's other assets (which security may now be released as MMG Australia Limited has completed the transfer of the Dugald River project assets to MMG Dugald River). As

set out in Note 37, this security was substantially released on 9 January 2018.

(b) Approximately US\$6,330.9 million (2016: US\$6,954.5 million) from China Development Bank Corporation, Industrial and Commercial Bank of China Limited, Bank of China Limited (Sydney Branch) and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including Minera Las Bambas S.A., a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of Minera Las Bambas S.A., assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of Minera Las Bambas S.A. These borrowings are also guaranteed on several basis by CMNH and CMCL, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in MMG SAM.

(c) The borrowing from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was fully repaid during 2017 (outstanding balance as of 31 December 2016 was US\$488.2 million). This borrowing 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, and a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited.

Reconciliation of borrowings arising from financing activities

US\$ MILLION	NOTE	1 JANUARY 2017	FINANCING CASHFLOW	NON CASH CHANGES		31 DECEMBER 2017
				EFFECTIVE INTEREST	OTHER CHANGES	
Loan from a related party	31(d)	2,261.3	-	-	-	2,261.3
Bank borrowings	25	7,786.4	(1,072.0) ¹	-	8.0 ²	6,722.4
Convertible redeemable preference shares	25	205.5	(16.8) ³	20.1 ³	-	208.8
Accrued interest ⁴	28	210.2	(370.1)	473.3	-	313.4
		10,463.4	(1,458.9)	493.4	8.0	9,505.9

1. Net bank borrowings financing cashflow is made up of repayments of and proceeds from borrowings in the Consolidated Statement of Cash Flows.

2. Other changes include the amortisation of capitalised prepayments on borrowings.

3. US\$16.8 million represents the cash coupon payment on the CRPS, which was included in interest payments in the Consolidated Statement of Cash Flows. US\$20.1 million represents the CRPS interest expense on an effective interest rate basis. Refer to Note 8.

4. Accrued interest includes both interest on external bank borrowings and related party borrowings. Refer to Note 28.

26. PROVISIONS

	2017 US\$ MILLION	2016 US\$ MILLION
Non-current		
Employee benefits	8.1	1.2
Workers' compensation	0.6	0.9
Mine rehabilitation, restoration and dismantling ^(a)	630.4	780.7
Other non-current provisions	154.7	48.5
Total non-current provisions	793.8	831.3
Current		
Employee benefits	30.1	59.8
Workers' compensation	0.2	0.4
Mine rehabilitation, restoration and dismantling ^(a)	7.5	18.7
Other provisions	25.1	62.7
Total current provisions	62.9	141.6
Aggregate		
Employee benefits	38.2	61.0
Workers' compensation	0.8	1.3
Mine rehabilitation, restoration and dismantling ^(a)	637.9	799.4
Other provisions	179.8	111.2
Total provisions	856.7	972.9

(a) Mine rehabilitation, restoration and dismantling

	2017 US\$ MILLION	2016 US\$ MILLION
At 1 January	799.4	805.4
Additional provisions recognised	134.9	31.4
Payments made	(1.9)	(22.3)
Disposal of Century Mine (Note 5)	(337.8)	-
Unwinding of discount on provisions	12.9	28.1
Exchange rate differences	30.4	(4.0)
Transferred to liabilities held for sale (Note 30)	-	(39.2)
At 31 December	637.9	799.4

Provision is made in these consolidated financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences.

27. OTHER FINANCIAL LIABILITIES

	2017 US\$ MILLION	2016 US\$ MILLION
Other non-current financial liabilities		
Bank guarantee liabilities ¹	151.3	-
Other payables ²	9.0	-
Total	160.3	-

1. Bank guarantees liabilities associated with the disposal of the Century mine, for the benefit of Century Bull. Refer to Note 5 for more details.

2. Reflecting the support package to be contributed to Century Bull associated with disposal of Century mine. Refer to Note 5 for more details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. TRADE AND OTHER PAYABLES

The analysis of the trade and other payables is as follows:

	2017 US\$ MILLION	2016 US\$ MILLION
Current trade and other payables		
Trade payables ¹		
Less than 6 months	187.9	291.4
More than 6 months	1.6	10.4
	189.5	301.8
Related party interest payable (Note 31(d))	301.2	198.7
Other payables and accruals ²	239.4	152.1
Total (Note 32.1 (c), (e) and 32.3)	730.1	652.6

1. As at 31 December 2017, the Group's trade payables included an amount of US\$0.1 million (2016: US\$nil) (Note 31(d)), which was due to a related company of the Group. The ageing analysis of the trade payables is based on the creditors' invoice date.

2. As at 31 December 2017, the Group's other payables and accruals included an amount of US\$12.2 million (2016: US\$11.5 million) accrued interest on external bank borrowings.

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) for the year to net cash generated from operating activities is as follows:

	2017 US\$ MILLION	2016 US\$ MILLION
Profit /(loss) for the year	348.4	(98.7)
Adjustments for:		
Finance income (Note 8)	(8.8)	(3.3)
Finance costs (Note 8)	542.3	316.3
Depreciation, amortisation and impairment expenses	933.0	684.5
Loss on disposal of property, plant and equipment	2.3	-
Gain on disposal of subsidiaries	(178.6)	-
Loss/(gain) on fair value change in commodity price contracts (Note 6)	24.4	(21.5)
Net gain on financial assets (Note 6 and 7)	(4.6)	(6.2)
Share-based payment	20.9	4.9
Changes in working capital (excluding certain Dugald River and Las Bambas working capital and provision movements):		
Inventories	9.1	(52.6)
Trade and other receivables	352.3	(89.7)
Trade payables and accruals, provisions and other payables	96.6	9.2
Tax assets and tax liabilities	232.5	(20.6)
Net cash generated from operating activities	2,369.8	722.3

(b) In the Consolidated Statement of Cash Flows, purchase of property, plant and equipment comprises:

	2017 US\$ MILLION	2016 US\$ MILLION
Total additions (Note 14)	797.8	1,082.5
<i>Less: non-cash additions</i>		
Transfer from provision for mine rehabilitation, restoration and dismantling	(144.6)	(30.2)
<i>Less: cash flows reported in "Interest and financing costs paid"</i>		
Capitalised interest (Note 14)	(22.6)	(211.4)
<i>Less: Other (mainly certain Dugald River and Las Bambas working capital and provisions movements)</i>	36.3	(69.9)
Purchase of property, plant and equipment	666.9	771.0

30. ASSETS AND LIABILITIES HELD FOR SALE

	2017 US\$ MILLION	2016 US\$ MILLION
Assets of disposal group classified as held for sale		
Avebury		
– Property, plant and equipment	-	18.8
Golden Grove		
– Property, plant and equipment (Note 14)	-	208.6
– Inventories	-	20.0
– Deferred income tax assets (Note 19)	-	3.9
– Trade and other receivables	-	8.9
Total	-	260.2
Liabilities of disposal group classified as held for sale		
Avebury		
– Mine rehabilitation, restoration and dismantling provisions	-	4.5
Golden Grove		
– Mine rehabilitation, restoration and dismantling provisions (Note 26)	-	39.2
– Employee Provisions	-	6.2
– Trade and other payables	-	18.7
– Deferred income tax liabilities (Note 19)	-	1.2
Total	-	69.8
Assets of disposal group classified as held for sale - net	-	190.4

Avebury and Golden Grove mines were disposed of during 2017, refer to Note 5 for details. The assets and liabilities held for sale were derecognised at disposal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by CMN through China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), which is a subsidiary of CMN. As at 31 December 2017, approximately 73.4% of the Company's shares are held by CMN and approximately 26.6% are widely held. The Directors consider the ultimate holding company is CMC, a company incorporated in the People's Republic of China ("PRC"), of which CMN is a subsidiary.

The Company was notified by CMC in January 2016 that, pursuant to a conditional sale and purchase agreement dated 31 December 2015 entered into among Alum Enterprises and Top Create as vendors and Minmetals HK as purchaser, each of Alum Enterprises and Top Create has agreed to transfer all its shares in the Company to Minmetals HK. The consideration for the share transfer will be settled by Minmetals HK issuing new shares to Alum Enterprises and Top Create in proportion to their respective existing shareholdings in the Company. As at 31 December 2017, the share transfer has completed and Minmetals HK holds in total approximately 73.4% of the shares of the Company.

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be

individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

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 HKICPA, 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 group companies, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC Government, the Company's joint arrangements 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 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 CMC and its group companies (other than those within the Group)

	2017 US\$ MILLION	2016 US\$ MILLION
Revenue		
Sales of non-ferrous metals ¹	1,689.5	1,063.8
Expenses		
Purchases of consumables	(1.1)	(3.8)
Finance costs – net		
Finance costs (Note 8)	(106.6)	(100.5)
Borrowing costs capitalised on qualifying assets	-	(43.9)

1. Included in the revenue for the year ended 31 December 2017 was US\$12.9 million sales of zinc concentrate made by Dugald River project to CMC Group during the pre-commissioning phase. Dugald River project is expected to be commissioned in 2018. Included in the revenue for the year ended 31 December 2016 was US\$223.4 million sales of copper concentrate made by Las Bambas to CMC Group during the pre-commissioning phase. Las Bambas mine was commissioned for accounting purposes on 1 July 2016. Sales revenue during the pre-commissioning phase was capitalised to property, plant and equipment in accordance with requirements under HKAS 16.

(b) Transactions and balances with other state-owned enterprises

During the year ended 31 December 2017, 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 at 31 December 2017 and the relevant interest earned or paid during the year were transacted with banks and other financial institutions controlled by the PRC Government including China Development Bank Corporation, Bank of China Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China.

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.

(c) 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:

	2017 US\$ MILLION	2016 US\$ MILLION
Salaries and other short-term employee benefits	7.4	6.3
Short-term incentives and discretionary bonus	4.7	5.6
Long-term incentives	6.8	7.2
Post-employment benefits	0.1	0.1
	19.0	19.2

(d) Year-end balances

	2017 US\$ MILLION	2016 US\$ MILLION
Amounts payable to related parties		
Loan from Top Create ¹ (Note 25)	2,261.3	2,261.3
Interest payable to Top Create ¹ (Note 28)	301.2	198.7
Trade payable to CMN (Note 28)	0.1	-
	2,562.6	2,460.0
Amounts receivable from related parties		
Loan to Album Enterprises ² (Note 32.3)	120.0	95.0
Trade receivables from CMN (Note 20)	102.5	228.4
	222.5	323.4

1. The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US\$1,843.8 million) and 16 February 2015 (US\$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG SA and Top Create. In accordance with the facility agreement, a loan facility of up to US\$2,262.0 million was made available to MMG SA, for a period of four years commencing on the date of the first drawdown of the loan. Interest is accrued on the outstanding balance drawn under the facility agreement at LIBOR plus 3.1% per annum and the loan is repayable at the end of the term. Prior to 30 June 2017, Top Create provided irrevocable confirmation of its intention to defer repayment of the amounts borrowed under this facility to a point beyond 1 July 2019. On 29 December 2017, the parties to the facility agreement entered into an amendment which extends its term from four years to eleven years, with loan repayments, now falling due in three separate tranches in July 2021 (US\$700.0 million), July 2023 (US\$700.0 million), and the last payment in July 2025 (originally due in one lump-sum in July 2018). In addition, interest payments are postponed, the first of which will now fall due in July 2018 (originally July 2017), and annually thereafter. Effective from 25 July 2018, the existing single floating interest rate will change to a separate all-in fixed rate for each of the repayment tranches of between 3.70% and 4.50% per annum.

2. The loan to Album Enterprises as at 31 December 2017 (US\$120.0 million) represents the amount drawn by Album Enterprises on 21 December 2017 pursuant to a facility agreement dated 20 December 2017, between MMG Finance Limited (a subsidiary of the Group) and Album Enterprises. Monies were advanced to Album Enterprises at LIBOR plus 1.50% per annum for a period of 14 days. The facility was limited to US\$120.0 million. Album Enterprises fully repaid this loan in January 2018.

The loan to Album Enterprises as at 31 December 2016 (US\$95.0 million) represents the amount drawn by Album Enterprises on 23 December 2016, pursuant to a facility agreement dated on that day, between MMG Finance Limited (a subsidiary of the Group) and Album Enterprises. Monies were advanced to Album Enterprises at LIBOR plus 3.1% per annum for a period of 90 days. The facility was limited to US\$95.0 million. Album Enterprises fully repaid this loan in January 2017.

32. FINANCIAL AND OTHER RISK MANAGEMENT

32.1 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 and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group can use derivative financial

instruments such as foreign exchange contracts and commodity swaps to manage certain exposures. The Group does not and is prohibited from entering into derivative contracts for speculative purposes.

Financial risk management is carried out by the Group Treasury function under proposals approved by the Board. Group Treasury identifies, evaluates and manages financial risks in close cooperation with the Group's operating units. The Board approves written principles for overall risk management, as well as policies covering specific areas, such as those identified below.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(a) Commodity price risk

The prices of copper, zinc, lead, gold, and silver are affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned. The Group has entered into a series of commodity price contracts for copper in 2016, the last of which settled in 2017. Refer to Note 13 for details on these commodity price contracts.

The following table details the sensitivity of the Group's financial assets (excluding commodity price contracts) balance to movements in commodity prices. Financial assets arising from revenue on provisionally priced sales are recognised at the estimated fair value of the total consideration of the receivable and subsequently remeasured at each reporting date. At the reporting date, if the commodity prices increased/(decreased) by 10% and all other variables were held constant, the Group's post-tax profit/(loss) would have changed as set out below:

COMMODITY	2017			2016		
	COMMODITY PRICE MOVEMENT	DECREASE PROFIT US\$ MILLION	INCREASE PROFIT US\$ MILLION	COMMODITY PRICE MOVEMENT	DECREASE LOSS US\$ MILLION	INCREASE LOSS US\$ MILLION
Zinc	10%	0.7	(0.7)	10%	5.1	(5.1)
Copper	10%	21.2	(21.2)	10%	53.8	(53.8)
Lead	10%	0.6	(0.6)	10%	0.1	(0.1)
Total		22.5	(22.5)		59.0	(59.0)

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents have been disclosed in Note 22 while the details of the Group's borrowings are set out in Note 25.

rate movements. Any decision to hedge interest rate risk is assessed periodically in light of the Group's overall exposure, the prevailing interest rate market and any funding counterparty requirements. Regular reporting which summarises the Group's debt and interest rates is provided to the Executive Committee. As at 31 December 2017 and 2016, if the interest rate had increased/(decreased) by 100 basis points with all other variables held constant, post-tax profit/(loss) and OCI would have changed as follows:

The Group regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest

US\$ MILLION	2017				2016			
	-100 BASIS POINTS		+100 BASIS POINTS		-100 BASIS POINTS		+100 BASIS POINTS	
	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
Financial assets								
Cash and cash equivalents	(6.6)	-	6.6	-	(3.9)	-	3.9	-
Financial liabilities								
Borrowings	60.1	-	(60.1)	-	39.8	-	(39.8)	-
Total	53.5	-	(53.5)	-	35.9	-	(35.9)	-

Interest on borrowings in relation to development projects is capitalised into Property, Plant and Equipment, and does not impact profit/loss or equity of the Group so it is not included in the sensitivity analysis.

If the sensitivity analysis had included capitalised interest on borrowings in relation to development projects, the rate variation would have increased or decreased Property, Plant and Equipment by US\$4.7million (2016: US\$31.2 million) with the corresponding offset in cash and cash equivalents.

(c) Foreign exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk. The Group's reporting currency and functional currency of the majority of subsidiaries within the Group is US dollars. The majority of revenue received by the Group is in US dollars. The Group's foreign currency exchange risk arises predominantly from the currency of the countries in which the Group's operations are located.

Any decision to hedge foreign currency risk is assessed periodically in light of the Group's exposure, the prevailing foreign currency market and any funding counterparty requirements.

The following table outlines the forward foreign exchange contracts outstanding at 31 December 2017 and 2016:

OUTSTANDING CONTRACTS	YEAR ENDED 31 DECEMBER 2017			
	AVERAGE AUD TO USD EXCHANGE RATE	FOREIGN CURRENCY A\$ MILLION	NOTIONAL VALUE US\$ MILLION	FAIR VALUE ASSETS (LIABILITIES) US\$ MILLION
Buy AUD				
Less than 3 months	0.75	15.0	11.2	0.4
3 to 6 months	-	-	-	-
6 to 12 months	-	-	-	-
Beyond 12 months	-	-	-	-
Total		15.0	11.2	0.4

OUTSTANDING CONTRACTS	YEAR ENDED 31 DECEMBER 2016			
	AVERAGE AUD TO USD EXCHANGE RATE	FOREIGN CURRENCY A\$ MILLION	NOTIONAL VALUE US\$ MILLION	FAIR VALUE ASSETS (LIABILITIES) US\$ MILLION
Buy AUD				
Less than 3 months	0.74	43.5	32.4	(1.0)
3 to 6 months	0.74	43.5	32.2	(1.0)
6 to 12 months	0.74	87.0	64.3	(2.1)
Beyond 12 months	0.75	15.0	11.2	(0.5)
Total		189.0	140.1	(4.6)

The following table illustrates the sensitivity of the Group's foreign currency forward contracts to movements in the value of the Australian dollar against the US dollar, taking into account all underlying exposures and related hedges.

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	2017		2016	
	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX US\$ MILLION	INCREASE/ (DECREASE) IN OCI US\$ MILLION	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX US\$ MILLION	INCREASE/ (DECREASE) IN OCI US\$ MILLION
AUD to USD +10%	-	0.8	-	9.5
AUD to USD -10%	-	(0.8)	-	(9.5)

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- The hedging is assumed to be 100% effective.
- A sensitivity of 10% has been selected based on the reasonably possible movements given recent and historical levels of volatility and exchange rates and economic forecast expectations.
- A sensitivity analysis of derivatives has been based on reasonably possible movements of spot rates at reporting dates rather than forward rates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table shows the foreign currency risk arising from the monetary assets and liabilities, which are shown by foreign currency of respective subsidiaries.

US\$ MILLION	NOTES	US\$	PEN	A\$	HK\$	OTHERS	TOTAL
As at 31 December 2017							
Monetary assets							
Cash and cash equivalents	22	928.3	1.4	1.9	1.6	2.9	936.1
Trade receivables	20	236.3	-	-	-	-	236.3
Other and sundry receivables (including VAT Receivables)	20	76.6	99.4	3.5	-	55.2	234.7
Derivative financial assets	13	0.5	-	-	-	-	0.5
Financial liabilities							
Trade and other payables	28	(577.8)	(65.0)	(70.9)	-	(16.4)	(730.1)
Other financial liabilities	27	-	-	(160.3)	-	-	(160.3)
Borrowings (excluding prepayments)	25	(9,270.9)	-	-	-	-	(9,270.9)
		(8,607.0)	35.8	(225.8)	1.6	41.7	(8,753.7)
As at 31 December 2016							
Monetary assets							
Cash and cash equivalents	22	521.9	14.7	10.0	2.6	3.5	552.7
Trade receivables	20	406.6	-	-	-	-	406.6
Other and sundry receivables (including VAT receivables)	20	69.9	337.5	3.4	-	51.2	462.0
Derivative financial assets	13	16.7	-	-	-	-	16.7
Financial liabilities							
Trade and other payables	28	(468.3)	(117.2)	(59.5)	-	(7.6)	(652.6)
Derivative financial liabilities	13	(5.8)	-	-	-	-	(5.8)
Borrowings (excluding prepayments)	25	(10,339.5)	-	-	-	-	(10,339.5)
		(9,798.5)	235.0	(46.1)	2.6	47.1	(9,559.9)

Based on the Group's net monetary assets and financial liabilities excluding the derivative assets and liabilities as at 31 December 2017 and 2016, a movement of the US dollar against the principal non-functional currencies as illustrated

in the table below, with all other variables held constant, would cause increase/(decrease) in post tax profit/(loss) and OCI as follows:

US\$ MILLION	2017				2016			
	WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR		WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR	
	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
10% movement in Australian dollar (2016: 10%)	(15.8)	-	15.8	-	(3.2)	-	3.2	-
10% movement in Peruvian sol (2016: 10%)	2.4	-	(2.4)	-	16.0	-	(16.0)	-
Total	(13.4)	-	13.4	-	12.8	-	(12.8)	-

(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.

The credit risk on investments in cash, short-term deposits and similar assets are with approved counterparty banks and the intermediate holding company of the 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 customers are CMN, CITIC

Metal Peru Investment Limited ("CITIC Metal") and Trafigura Pte Ltd ("Trafigura"). The revenue earned from CMN, CITIC Metal and Trafigura are approximately 41.4%, 18.2% and 13.5% respectively (2016: CMN and Trafigura with approximately 37.9% and 15.0% respectively) of revenue for the year. The largest debtor as at 31 December 2017 is CMN with a balance of US\$102.5 million (2016: CMN with US\$228.4 million) and the five largest debtors accounted for 88.4% (2016: 94.2%) of the Group's trade receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying. The credit risk by geographic region was:

US\$ MILLION	AS AT 31 DECEMBER	
	2017	2016
Australia	-	9.3
America	2.5	-
Europe	12.3	26.5
Asia	221.5	370.8
	236.3	406.6

(e) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Management utilises short and long-term cash flow forecasts and other consolidated information to ensure that appropriate liquidity buffers are maintained to support the Group's activities.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

US\$ MILLION	WITHIN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
At 31 December 2017					
Financial assets					
Cash and cash equivalents (Note 22)	936.1	-	-	-	936.1
Trade and other receivables (Note 20)	256.4	57.7	-	-	314.1
Derivative financial assets – (foreign exchange option contracts)	0.1	-	-	-	0.1
Derivative financial assets – gross settled					
– Inflows	11.6	-	-	-	11.6
– Outflows	(11.2)	-	-	-	(11.2)
Financial liabilities					
Trade and other payables (Note 28)	(730.1)	-	-	-	(730.1)
Other financial liabilities (Note 27)	-	(9.0)	-	(151.3)	(160.3)
Borrowings (including interest)	(1,198.1)	(951.9)	(3,475.8)	(6,063.3)	(11,689.1)
	(735.2)	(903.2)	(3,475.8)	(6,214.6)	(11,328.8)
At 31 December 2016					
Financial assets					
Cash and cash equivalents (Note 22)	552.7	-	-	-	552.7
Trade and other receivables (Note 20)	413.1	64.2	-	-	477.3
Derivative financial assets – gross settled					
– Inflows	429.4	-	-	-	429.4
– Outflows	(412.7)	-	-	-	(412.7)
Financial liabilities					
Trade and other payables (Note 28)	(652.6)	-	-	-	(652.6)
Derivative financial liabilities – (foreign exchange option contracts)	(1.2)	-	-	-	(1.2)
Derivative financial liabilities – gross settled					
– Inflows	124.7	10.8	-	-	135.5
– Outflows	(128.9)	(11.2)	-	-	(140.1)
Borrowings (including interest)	(1,361.6)	(3,207.1)	(2,757.4)	(6,100.1)	(13,426.2)
	(1,037.1)	(3,143.3)	(2,757.4)	(6,100.1)	(13,037.9)

The amounts presented in the tables above comprise the contractual undiscounted cash flows for non-derivative financial instruments, and therefore will not agree with the amounts presented in the consolidated statement of financial position. For derivative financial instruments, the amounts have been drawn up based on the undiscounted gross inflows and outflows that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by the prevailing market rate at the end of the reporting period.

32.2 SOVEREIGN RISK

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates; changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions

and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in Governments seeking alternative means of increasing their income, including increases to corporate tax, Value Added Tax and royalty rates, coupled with increased audit and compliance activity. This is also coupled with Governments being unable to pay Valued Added Tax refunds to companies largely due to cashflow difficulties. The DRC Government recently proposed changes to the DRC Mining Code. These changes, if enacted, would result in an increased tax burden on mining companies, and there is also a risk that similar changes could be adopted by other nations.

Some of the countries in which the Group operates carry higher levels of sovereign risk. Political and administrative changes and reforms in law, regulations or taxation may impact sovereign risk. Political and administrative systems

can be slow or uncertain and may result in risks to the Group including the ability to obtain tax refunds in a timely manner. The Group has processes in place to monitor any impact on the Group and implement responses to such changes.

32.3 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents and short-term monetary financial assets and financial liabilities approximate their carrying values. The fair values of other monetary financial assets and liabilities are either based upon market prices, where a market exists, or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles.

The fair values of listed equity investments have been valued by reference to market prices prevailing at the reporting date.

The carrying values of trade and other receivables less impairment provisions and trade payables are a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

The carrying amounts and fair values of financial assets and liabilities by category and class at 31 December 2017 and 2016 are:

US\$ MILLION	NOTES	LOANS AND RECEIVABLES	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	LIABILITIES AT AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
As at 31 December 2017						
Financial assets						
Cash and cash equivalents	22	936.1	-	-	936.1	936.1
Trade receivables	20	236.3	-	-	236.3	236.3
Other and sundry receivables	20	77.8	-	-	77.8	77.8
Loan to a related party	31(d)	120.0	-	-	120.0	120.0
Other financial assets	21	12.3	5.5	-	17.8	17.8
		1,382.5	5.5	-	1,388.0	1,388.0
Financial liabilities						
Trade and other payables	28	-	-	730.1	730.1	730.1
Other financial liabilities	27	-	151.3	9.0	160.3	160.3
Borrowings	25	-	-	9,192.5	9,192.5	9,192.5
		-	151.3	9,931.6	10,082.9	10,082.9
As at 31 December 2016						
Financial assets						
Cash and cash equivalents	22	552.7	-	-	552.7	552.7
Trade receivables	20	406.6	-	-	406.6	406.6
Other and sundry receivables	20	70.7	-	-	70.7	70.7
Loan to a related party	31(d)	95.0	-	-	95.0	95.0
Other financial assets	21	11.6	1.1	-	12.7	12.7
		1,136.6	1.1	-	1,137.7	1,137.7
Financial liabilities						
Trade and other payables	28	-	-	652.6	652.6	652.6
Borrowings	25	-	-	10,253.2	10,253.2	10,253.2
		-	-	10,905.8	10,905.8	10,905.8

32.4 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

- 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).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017 and 2016.

US\$ MILLION	NOTES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
As at 31 December 2017					
Financial assets at fair value through profit and loss – listed ¹	21	5.5	-	-	5.5
Derivatives used for cash flow hedging ²	13	-	0.5	-	0.5
Other financial liabilities ³	27	-	-	(151.3)	(151.3)
		5.5	0.5	(151.3)	(145.3)
As at 31 December 2016					
Financial assets at fair value through profit and loss – listed ¹	21	1.1	-	-	1.1
Derivative used for commodity hedging ²	13	-	16.7	-	16.7
Derivatives used for cash flow hedging ²	13	-	(5.8)	-	(5.8)
		1.1	10.9	-	12.0

There were no transfers between levels 1, 2 and 3 during the year.

- The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Instruments included in level 1 comprise investments in listed stock exchanges.
- Derivative financial instruments have been valued using quoted market rates outlined in detail as below:
 - FECs and commodity price contracts have been valued using discounted cash flows. Future cash flows of FECs are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period). Future cash flows of commodity price contracts are estimated based on LME contract futures rates for commodities. These cash flows are discounted at a rate that reflects the credit risk of various counterparties.
 - European Option Collars have been valued using an option pricing model (Garman-Kohlhagen).

These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates.
- Reflecting the bank guarantees associated with the disposal of the Century mine, for the benefit of Century Bull. Refer to Note 5 for more details.

32.5 CAPITAL RISK MANAGEMENT

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern, support sustainable growth, enhance Shareholder value and provide capital for potential acquisitions and investment.

The gearing ratio for the Group is set out below, with gearing defined as net debt (total borrowings excluding finance charge prepayments, less cash and cash equivalents) divided by the aggregate of net debt and total equity.

MMG GROUP	2017 US\$ MILLION	2016 US\$ MILLION
Total borrowings (excluding prepayments) ¹ (Note 25)	9,270.9	10,339.5
Less: cash and cash equivalents (Note 22)	(936.1)	(552.7)
Net debt	8,334.8	9,786.8
Total equity	2,971.8	2,589.6
Net debt + Total equity	11,306.6	12,376.4
Gearing ratio	0.74	0.79

- Borrowings at an MMG Group level reflect 100% of MMG SAM borrowings. MMG SAM's borrowings have not been reduced to reflect the MMG Group's 62.5% equity interest in that entity. This is consistent with the basis of preparation of MMG's financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US\$2,261.3 million (2016: US\$2,261.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas joint venture company, MMG SAM. For the purpose of the above, it has however been included as borrowings.

Available debt facilities

As at 31 December 2017, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US\$380.0 million (2016: US\$320.0 million), including:

- US\$80.0 million available under the amended US\$550.0 million Dugald River facility provided by China Development Bank Corporation and Bank of China (Sydney Branch),

- which can only be used for the purpose of funding the Dugald River project; and
- US\$300.0 million available for general corporate purposes under the US\$300.0 million ICBC revolving facility.

During 2017, the availability period under the US\$2,262.0 million facility provided by Top Create Resources Limited, a shareholder of the Company, ended (2016: US\$0.7 million was available but undrawn). No drawings were made under this facility during 2017.

As at 31 December 2017, the MMG South America Management Group had available undrawn bank debt facilities of US\$350.0 million (2016: US\$252.3 million), represented by the existing US\$350.0 million BOC Sydney Working Capital Revolving Facility, which is exclusively for the MMG South America Management Group. During 2017, the availability period under the Las Bambas Project Facility ended (2016: US\$2.3 million was available but undrawn). No drawings were made under the Las Bambas Project Facility during 2017.

33. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2017 is set out below:

FOR THE YEAR ENDED 31 DECEMBER 2017						
NAME OF DIRECTOR ⁷	FEES US\$'000	SALARIES US\$'000	OTHER BENEFITS ¹ US\$'000	SHORT- TERM INCENTIVE PLANS ² US\$'000	LONG-TERM INCENTIVE PLANS ³ US\$'000	TOTAL US\$'000
Guo, Wenqing (Chairman) ⁴	-	-	-	-	-	-
Mr Jiao Jian ⁵	61	1,460	19	1,999	696	4,235
Mr Andrew Gordon Michelmore ⁵	-	941	533	-	4,391	5,865
Mr Xu Jiqing	-	621	97	619	674	2,011
Mr Gao Xiaoyu	161	-	2	-	-	163
Mr Leung Cheuk Yan	160	-	-	-	-	160
Dr Peter William Cassidy	167	-	2	-	-	169
Ms Jennifer Anne Seabrook	174	-	2	-	-	176
Professor Pei Ker Wei	160	-	1	-	-	161
Mr Zhang Shuqiang ⁶	128	-	-	-	-	128
	1,011	3,022	656	2,618	5,761	13,068

1. Other benefits include statutory superannuation, pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.

2. Short-term incentive (STI) plans include at-risk, performance-linked remuneration, STI plans, discretionary bonuses, and project related bonuses including those paid in relation to the progress of Dugald River project.

The STI plan is an annual cash award 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.

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 a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.

3. Long-term incentive (LTI) plans are performance-linked remuneration LTI plans, and are mostly consist of 2015, 2016 and 2017 Long Term Incentive Equity plans.

The 2016 Long Term Incentive Equity (LTIE) plan is Share Option Scheme vesting at the conclusion of three performance years. The 2015 and 2017 LTIE plan are Performance Awards Scheme vesting at the conclusion of three performance years. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

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. The LTI plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome. The values attributed to the LTI plans are subject to Board approval at end of the vesting period.

4. Appointed as a Non-executive Director and Chairman on 15 February 2017.

5. Mr Jiao Jian resigned as a Non-executive Director and Chairman on 15 February 2017, appointed as Chief Executive Officer and Executive Director, replacing Andrew Gordon Michelmore who retired on 15 February 2017.

6. Appointed as a Non-executive Director of the Company on 15 February 2017.

7. The above table sets out the Director's remuneration for the year ended 31 December 2017. The accounting values of the Executive Directors' remuneration are reported in accordance with HKFRSs and may not always reflect what the Executive Directors have actually received, particularly due to the valuation of LTIs. The actual remuneration paid or to be paid to the Executive Directors for the financial year ended 31 December 2017, which consists of salaries and the 2017 STI plan, is set out below:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NAME OF DIRECTOR	2017 US\$'000	2016 US\$'000
Mr Jiao Jian	3,539	-
Mr Andrew Gordon Michelmore ¹	1,474	4,202
Mr Xu Jiqing	1,337	1,258

1. Retired as a Chief Executive Officer and Executive Director on 15 February 2017.

The remuneration of every Director for the year ended 31 December 2016 is set out below:

NAME OF DIRECTOR	FOR THE YEAR ENDED 31 DECEMBER 2016					
	FEES US\$'000	SALARIES US\$'000	OTHER BENEFITS ¹ US\$'000	SHORT- TERM INCENTIVE PLANS ² US\$'000	LONG-TERM INCENTIVE PLANS ³ US\$'000	TOTAL US\$'000
Mr Jiao Jian	355	-	4	-	-	359
Mr Andrew Gordon Michelmore ⁴	-	1,824	20	2,358	4,043	8,245
Mr Xu Jiqing	-	587	91	580	990	2,248
Mr Gao Xiaoyu	150	-	6	-	-	156
Mr Leung Cheuk Yan	150	-	-	-	-	150
Dr Peter William Cassidy	158	-	2	-	-	160
Ms Jennifer Anne Seabrook	162	-	2	-	-	164
Professor Pei Ker Wei	150	-	4	-	-	154
	1,125	2,411	129	2,938	5,033	11,636

1. Other benefits include statutory superannuation and pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.

2. Short-term incentive (STI) plans include at-risk, performance-linked remuneration STI plans and discretionary bonuses paid in relation to the completion of Las Bambas.

The STI plan is an annual cash award 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.

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 a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.

3. Long-term incentive (LTI) plans include at-risk, performance-linked remuneration LTI plans and an Executive plan (EP).

The 2016 and 2013 Long Term Incentive Equity (LTIE) plans are comprised of a Share Option Scheme and a cash-settled award vesting at the conclusion of three performance years. The 2014 LTI plan is a cash-settled award vesting at the conclusion of three performance years. The 2015 LTIE plan is a Performance Awards Scheme vesting at the conclusion of three performance years. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

The 2014 EP is a cash-settled award vesting at the conclusion of three years provided that the EP recipient remains in employment with the Group until the end of the period. Participation in the EP is at the Board's discretion and limited to senior executives.

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. The LTI and LTIE plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome.

4. Mr Andrew Gordon Michelmore was also the chief executive.

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 3 Directors (2016: 2) whose emoluments are reflected in the analysis presented above and two senior executives whose remuneration by band are set out in the "Senior management remuneration by band" section in this Note.

Details of the emoluments payable to all five individuals during the year are as follows:

	2017 US\$'000	2016 US\$'000
Salaries and other short-term employee benefits	5,395	4,619
Short-term incentives and discretionary bonus	4,138	5,086
Long-term incentives	6,735	6,636
Post-employment benefits	69	72
	16,337	16,413

During the year, Guo Wenqing waived 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	
	2017	2016
HK\$12,000,001 - HK\$12,500,000 (US\$1,540,010-US\$1,604,180)	-	1
HK\$12,500,001 - HK\$13,000,000 (US\$1,604,180-US\$1,668,350)	-	1
HK\$13,500,001 - HK\$14,000,000 (US\$1,668,350-US\$1,796,680)	1	-
HK\$14,000,001 - HK\$14,500,000 (US\$1,796,680-US\$1,860,850)	-	1
HK\$15,500,001 - HK\$16,000,000 (US\$1,989,180-US\$2,053,350)	2	-
HK\$17,000,001 - HK\$17,500,000 (US\$2,181,680-US\$2,245,850)	1	1
HK\$19,000,001 - HK\$19,500,000 (US\$2,438,350-US\$2,502,520)	-	1
HK\$32,500,001 - HK\$33,000,000 (US\$4,170,860-US\$4,235,030)	1	-
HK\$45,500,001 - HK\$46,000,000 (US\$5,839,210-US\$5,903,380)	1	-
HK\$63,500,001 - HK\$64,000,000 (US\$8,149,230 - US\$8,213,390)	-	1
	6	6

34. LONG-TERM INCENTIVE EQUITY PLANS

SHARE OPTION SCHEME

Pursuant to the options granted under the share option scheme adopted at the extra-ordinary general meeting of the Company (2013 Share Option Scheme, under which the options were granted in 2013 and 2016 financial years respectively), there were a total of 193,270,805 options outstanding as at 31 December 2017 (2016: 250,900,192), of which 55,448,264 (2016: 101,751,593) were exercisable. The outstanding options represent approximately 2.43% (2016: 3.16%) of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2017, the movements in the number of options granted under the 2013 Options and 2016 Options were as follows:

(i) 2013 Options

On 9 April 2013, 13 December 2016 and 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2013 Options). There were 55,448,264 options outstanding as at 31 December 2017, which represented approximately 0.70% of the total number of issued shares of the Company as at 31 December 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

During the year ended 31 December 2017, the movements of the 2013 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ^{1,2,3}	EXERCISE PRICE PER SHARE (HK\$) ^{2,4}	EXERCISE PERIOD ^{2,5}	NUMBER OF OPTIONS					BALANCES AS AT 31 DECEMBER 2017
				BALANCES AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR ⁶	LAPSED DURING THE YEAR ⁷	
Directors									
Andrew Michelmore	9 April 2013 and 13 December 2016	2.51	End of vesting period to 8 April 2020	19,602,903	-	-	(19,602,903)	-	-
Xu Jiqing	15 December 2016	2.51	End of vesting period to 8 April 2020	2,626,701	-	-	-	-	2,626,701
Employees of the Group	9 April 2013, 13 December 2016, and 15 December 2016	2.51	End of vesting period to 8 April 2020	79,521,989	-	(28,029,021)	-	(18,274,308)	33,218,660
Other⁶	9 April 2013 and 13 December 2016	2.51	End of vesting period to 8 April 2020	-	-	-	19,602,903	-	19,602,903
Total Group				101,751,593	-	(28,029,021)	-	(18,274,308)	55,448,264

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK\$2.45 per share.
2. Pursuant to the terms of the long term incentive equity plan of the Company (Long Term Incentive Equity Plan), which governs (among others) the share option scheme, the exercise price and the number of shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, adjustment of options took place on 13 December 2016, and conversion from cash-based entitlements to equity-based entitlements took place on 15 December 2016.
3. As originally contemplated in the 2013 Long Term Incentive Cash Plan, 5,923,307 Options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long Term Incentive Cash Plan pursuant to the 2013 Share Option Scheme, to the equity equivalent of the entitlements they would have received historically under the 2013 Share Option Scheme, had they received such equity-based entitlements, rather than cash-based entitlements, at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.
4. As a result of Rights Issue, the exercise price per share was adjusted from HK\$2.62 to HK\$2.51.
5. The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, resources growth and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions has resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. Andrew Gordon Michelmore retired as a Chief Executive Officer and Executive Director on 15 February 2017, his entitled options are still exercisable subject to the Company's LTI plan rules.
7. Options lapsed due to a combination of cessation of employment and non-achievement of performance conditions before the expiry of vesting period, and six months after the date the participant ceased to be an employee after the date of expiry of the vesting period.

During the year ended 31 December 2016, the movements of the 2013 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ^{1, 2, 3}	EXERCISE PRICE PER SHARE (HK\$) ^{2, 4}	EXERCISE PERIOD ^{2, 5}	NUMBER OF OPTIONS					BALANCES AS AT 31 DECEMBER 2016
				BALANCES AS AT 1 JANUARY 2016	GRANTED DURING THE YEAR ^{2, 3, 4}	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR ⁶	
Directors									
Andrew Michelmore	9 April 2013	2.51	9 April 2016 to 8 April 2020	28,150,200	-	-	-	(9,382,462)	18,767,738
	13 December 2016	2.51	13 December 2016 to 8 April 2020	-	835,165	-	-	-	835,165
Xu Jiqing	15 December 2016	2.51	15 December 2016 to 8 April 2020	-	2,626,701	-	-	-	2,626,701
Employees of the Group									
	9 April 2013	2.51	9 April 2016 to 8 April 2020	110,560,940	-	-	-	(37,583,072)	72,977,868
	13 December 2016	2.51	13 December 2016 to 8 April 2020	-	3,247,515	-	-	-	3,247,515
	15 December 2016	2.51	15 December 2016 to 8 April 2020	-	3,296,606	-	-	-	3,296,606
				138,711,140	10,005,987	-	-	(46,965,534)	101,751,593

- The closing price of the shares of the Company immediately before the date on which options were granted on 9 April 2013 was HK\$2.45 per share.
- Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the share option scheme, the exercise price, the exercise period and the number of Shares issuable upon exercise of 2013 Options were adjusted as a result of the Rights Issue, with effect from 13 December 2016.
- Options were also granted to certain employees of the Company and its subsidiaries as a result of conversion of their cash-based entitlements. These options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which options were granted on 15 December 2016 was HK\$2.25 per share.
- As a result of the Rights Issue, the exercise price per share was adjusted from HK\$2.62 to HK\$2.51.
- The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, resources growth and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions resulted in 66.67% of the 2013 Options granted to participants to vest on or about 9 April 2016.
- Options lapsed due to a combination of cessation of employment and non-achievement of performance conditions before the completion of the vesting period.

The estimated fair value of the options granted on 9 April 2013 was approximately US\$0.1356 each, estimated as at the date of grant by using the Black-Scholes option-pricing model.

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.68%; the expected volatility used in calculating the value of options was 46% and the expected dividend was assumed to be nil.

The 2013 Options vested on 9 April 2016 with an overall outcome of 66.67% of the target values. The validity period of the options is seven years from the date of grant to 8 April 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(ii) 2016 Options

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 137,822,541 options outstanding as at 31 December 2017, which represented approximately 1.73% of the total number of issued shares of the Company as at 31 December 2017.

During the year ended 31 December 2017, the movements of the 2016 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ¹	EXERCISE PRICE PER SHARE (HK\$)	EXERCISE PERIOD ²	NUMBER OF OPTIONS					BALANCES AS AT 31 DECEMBER 2017
				BALANCES AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR ³	LAPSED DURING THE YEAR ⁴	
Directors									
Andrew Michelmore	15 December 2016	2.29	End of vesting period to 31 December 2022	25,400,000	-	-	(25,400,000)	-	-
Xu Jiqing	15 December 2016	2.29	End of vesting period to 31 December 2022	3,493,261	-	-	-	-	3,493,261
Employees of the Group	15 December 2016	2.29	End of vesting period to 31 December 2022	120,255,338	-	-	-	(11,326,058)	108,929,280
Other³	15 December 2016	2.29	End of vesting period to 31 December 2022	-	-	-	25,400,000	-	25,400,000
				149,148,599	-	-	-	(11,326,058)	137,822,541

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of vested options subject to a 12 month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance levels achieved.
3. Andrew Gordon Michelmore retired as a Chief Executive Officer and Executive Director on 15 February 2017, and his entitlement to the options granted are to be approved by the Board at end of the vesting period.
4. Options lapsed due to cessation of employment.
5. The number of options are subject to Board approval at end of the vesting period.

During the year ended 31 December 2016, the movements of the 2016 Options were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ¹	EXERCISE PRICE PER SHARE (HK\$)	EXERCISE PERIOD ²	NUMBER OF OPTIONS					BALANCES AS AT 31 DECEMBER 2016
				BALANCES AS AT 1 JANUARY 2016	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR	
Directors									
Andrew Michelmore	15 December 2016	2.29	1 January 2019 to 31 December 2022	-	25,400,000	-	-	-	25,400,000
Xu Jiqing	15 December 2016	2.29	1 January 2019 to 31 December 2022	-	3,493,261	-	-	-	3,493,261
Employees of the Group	15 December 2016	2.29	1 January 2019 to 31 December 2022	-	120,255,338	-	-	-	120,255,338
				-	149,148,599	-	-	-	149,148,599

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK\$2.25 per share.

2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of vested options subject to a 12 month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance levels achieved.

The estimated fair value of the options granted on 15 December 2016 was approximately US\$0.1371 each, estimated as at the date of grant by using the Black-Scholes option-pricing model.

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.89%; the expected volatility used in calculating the value of options was 40% and the expected dividend was assumed to be nil.

The validity period of the options is from the date of grant until seven years from 1 January 2016 to 31 December 2022. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018. If a participant leaves employment before the expiry of the vesting period, the option will lapse unless the participant leaves due to certain specific reasons including ill-health, injury or disability, retirement with the agreement of the employer, redundancy, death, the participating employing company ceasing to be part of the Group and any other reason, if the Board so decides.

During the year, the Group recognised a share option expense of approximately US\$2.5 million (2016: US\$3.4 million) in relation to the 2016 Options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PERFORMANCE AWARDS

Pursuant to the performance awards granted under the Long Term Incentive Equity Plan, there were a total of 126,076,827 performance awards outstanding as at 31 December 2017, which represented approximately 1.59% of the total number of issued shares of the Company as at 31 December 2017.

Equity Plan (2015 Performance Awards). There were 72,129,935 performance awards outstanding as at 31 December 2017 (2016: 77,070,006), none of which had vested, representing approximately 0.91% (2016: 0.97%) of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2017, the movements of the 2015 Performance Awards were as follows:

2015 PERFORMANCE AWARDS

On 19 May 2015, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ^{1,2}	NUMBER OF PERFORMANCE AWARDS					BALANCES AS AT 31 DECEMBER 2017
		BALANCES AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR ³	LAPSED DURING THE YEAR ⁴	
Directors							
Andrew Michelmore	19 May 2015 and 13 December 2016	15,771,950	-	-	(15,771,950)	-	-
Xu Jiqing	19 May 2015 and 13 December 2016	1,880,100	-	-	-	-	1,880,100
Employees of the Group	19 May 2015 and 13 December 2016	59,417,956	-	-	-	(4,940,071)	54,477,885
Other³	19 May 2015 and 13 December 2016	-	-	-	15,771,950	-	15,771,950
Total		77,070,006	-	-	-	(4,940,071)	72,129,935

1. The vesting and performance period of the performance awards is three years from 1 January 2015 to 31 December 2017, time of vesting will be on or around April 2018. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the performance conditions achieved.

2. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, the number of shares issuable upon exercise of 2015 Performance Awards was adjusted as a result of the Rights Issue, with effect from 13 December 2016. As a result, some additional performance awards were granted on 13 December 2016.

3. Andrew Gordon Michelmore retired as a Chief Executive Officer and Executive Director on 15 February 2017, and his entitlement to the performance awards granted are to be approved by the Board at end of the vesting period.

4. Performance awards lapsed due to cessation of employment.

During the year ended 31 December 2016, the movements of the 2015 Performance Awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ^{1, 2}	NUMBER OF PERFORMANCE AWARDS					BALANCES AS AT 31 DECEMBER 2016
		BALANCES AS AT 1 JANUARY 2016	GRANTED DURING THE YEAR ¹	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR ²	
Directors							
Andrew Michelmore	19 May 2015	15,100,000	-	-	-	-	15,100,000
	13 December 2016	-	671,950	-	-	-	671,950
Xu Jiqing	19 May 2015	1,800,000	-	-	-	-	1,800,000
	13 December 2016	-	80,100	-	-	-	80,100
Employees of the Group							
	19 May 2015	59,187,500	-	-	-	(2,324,000)	56,863,500
	13 December 2016	-	2,554,456	-	-	-	2,554,456
Total		76,087,500	3,306,506	-	-	(2,324,000)	77,070,006

1. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, the number of Shares issuable upon exercise of 2015 Performance Awards was adjusted as a result of the Rights Issue, with effect from 13 December 2016.

2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of resources growth and financial and market-related targets. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

During the year, the Group recognised a share award expense of approximately US\$13.3 million (2016: US\$7.4million) in relation to the 2015 Performance Awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2017 Performance Awards

On 31 August 2017, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2017 Performance Awards). There were 53,946,892 performance awards outstanding as at

31 December 2017, representing approximately 0.68% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2017, the movements of the 2017 Performance Awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT ¹	NUMBER OF PERFORMANCE AWARDS					BALANCE AS AT 31 DECEMBER 2017
		BALANCES AS AT 1 JANUARY 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR ²	
Directors							
Jiao Jian	31 August 2017	-	7,333,333	-	-	-	7,333,333
Xu Jiqing	31 August 2017	-	1,476,000	-	-	-	1,476,000
Employees of the Group	31 August 2017	-	45,582,003	-	-	(444,444)	45,137,559
Total		-	54,391,336	-	-	(444,444)	53,946,892

1. The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019, time of vesting will be on or around April 2020. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved.

2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 31 August 2017 was approximately US\$0.4434 each, estimated as at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.34%; the expected volatility used in calculating the value of performance awards was 46.78% and the expected dividend was assumed to be nil.

During the year, the Group recognised a share award expense of approximately US\$5.1 million (2016: US\$nil) in relation to the 2017 Performance Awards.

35. 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:

	2017 US\$ MILLION	2016 US\$ MILLION
Within one year	6.5	7.5
Over one year but not more than five years	3.4	7.8
	9.9	15.3

(b) Capital commitments

Commitments for capital expenditure contracted for at the reporting date but not recognised as liabilities, are set out in the table below:

	2017 US\$ MILLION	2016 US\$ MILLION
Property, plant and equipment		
Within one year	56.2	194.5
Over one year but not more than five years	29.1	11.8
	85.3	206.3
Intangible assets		
Not later than one year	-	2.8
	-	2.8
	2017 US\$ MILLION	2016 US\$ MILLION
Aggregate		
Property, plant and equipment and intangible assets		
Contracted but not provided for	85.3	209.1
	85.3	209.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. CONTINGENT LIABILITIES

BANK GUARANTEES

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the year, no material claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities. These guarantees amount to US\$412.7 million as at 31 December 2017 (31 December 2016: US\$383.4 million), which include certain bank guarantees amounting to A\$193.7 million (equivalent to US\$151.3 million) associated with the disposal of the Century mine, for the benefit of Century Bull. Refer to Note 5 for more details.

CONTINGENT LIABILITIES - TAX RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. The nature of the Group's activities triggers various taxation obligations including corporation tax, royalties, other resource and production based taxes and employment related taxes. The Group is subject to a range of audits and reviews by taxation authorities across many jurisdictions, the application of tax laws may be uncertain in some regards. Changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings result in uncertainty of the outcome of the application of taxes to our business. Areas of uncertainty at reporting date include the application of income taxes and withholding tax to the Group's cross-border operations and transactions. Income tax and withholding tax obligations assessed as have probable future economic outflows capable of reliable measurement are provided for as a non-current provision.

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 29 December 2017, the Company announced that one of its subsidiaries, Topstart, had issued a notice to Alber Holdings Company Limited advising of its election to redeem all of the CRPS on issue. The redemption took effect on 8 January 2018.

On 9 January 2018, the Company announced that members of the Group, China Development Bank and Bank of China (Sydney Branch) had entered into certain security release documentation and an agreement amending and restating the Dugald River facility, for the purpose of reducing the security arrangements including releasing all guarantors other than CMC and making other amendments as required to reflect this, including but not limited to the removal of certain undertakings, representations, warranties and covenant compliance requirements. As a result of this transaction, the security over the shares in and assets of MMG Dugald River project, became the only substantive remaining security in relation to the Dugald River facility.

On 24 January 2018, the Company announced that the shareholders of Minera Las Bambas S.A. had resolved to use surplus funds to prepay US\$500 million of borrowings under the Las Bambas Project Facility. The prepayment took effect on 31 January 2018.

On 26 January 2018, the Congolese Senate passed the revised DRC mining code. The proposed mining code has been submitted to the President of the DRC for approval, it has not been enacted at the time of the issuance of these consolidated financial statements. The proposed changes to DRC government royalties and corporate tax (including "Super Tax"), if enacted, would likely result in substantial changes to the recoverable amount of the Group's Kinsevere mine, refer to Note 14 for more details. The Group will continue to update its review of the impact of the changes to the DRC Mining Code as more information becomes available. At this stage, the Group is not able to reliably estimate the impact of the proposed changes to the DRC Mining Code.

Other than the matters outlined in these financial statements, 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.

38. COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company Statement of Financial Position

	NOTE	AS AT 31 DECEMBER	
		2017 US\$ MILLION	2016 US\$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment		-	0.3
Loans to subsidiaries		-	294.2
Interests in subsidiaries		2,735.3	2,735.3
		2,735.3	3,029.8
Current assets			
Other receivables		0.3	-
Cash and cash equivalents		1.6	2.7
		1.9	2.7
Total assets		2,737.2	3,032.5
EQUITY			
Capital and reserves			
Share capital		2,874.1	2,863.3
Reserves and accumulated losses	(b)	(988.3)	(909.1)
Total equity		1,885.8	1,954.2
LIABILITIES			
Non-current liabilities			
Loans from subsidiaries		846.7	1,070.2
		846.7	1,070.2
Current liabilities			
Other payables		0.1	8.1
Loans from subsidiaries		4.6	-
		4.7	8.1
Total liabilities		851.4	1,078.3
Total equity and liabilities		2,737.2	3,032.5



JIAN Jiao
CEO and Executive Director



XU Jiqing
Executive Director

(b) Company reserves and accumulated losses

US\$ MILLION	SPECIAL CAPITAL RESERVE	SHARE OPTION RESERVE	ACCUMULATED LOSSES	TOTAL
At 1 January 2016	9.4	20.2	(709.4)	(679.8)
Loss and total comprehensive expenses for the year	-	-	(234.2)	(234.2)
Employee long-term incentives	-	4.9	-	4.9
At 31 December 2016	9.4	25.1	(943.6)	(909.1)
Loss and total comprehensive expenses for the year	-	-	(97.9)	(97.9)
Employee long-term incentives	-	20.9	-	20.9
Employee share options exercised	-	(2.2)	-	(2.2)
Employee share options lapsed after vesting	-	(1.5)	1.5	-
At 31 December 2017	9.4	42.3	(1,040.0)	(988.3)

FIVE-YEAR FINANCIAL SUMMARY

US\$ MILLION	2017	2016	2015	2014	2013
Results – the Group					
Continuing operations					
Revenue	4,143.2	2,488.8	1,950.9	2,479.8	2,469.8
EBITDA	2,210.0	949.2	420.9	780.8	750.9
EBIT	1,277.0	264.7	(1,125.5)	243.7	278.3
Finance income	8.8	3.3	3.8	3.3	2.8
Finance costs	(542.3)	(316.3)	(88.8)	(82.7)	(80.0)
Profit/(loss) before income tax	743.5	(48.3)	(1,210.5)	164.3	201.1
Income tax credit/(expense)	(395.1)	(50.4)	161.8	(65.1)	(78.6)
Profit/(loss) for the year	348.4	(98.7)	(1,048.7)	99.2	122.5
Attributable to:					
Equity holders of the Company	147.1	(152.7)	(1,026.5)	103.8	103.3
Non-controlling interests	201.3	54.0	(22.2)	(4.6)	19.2
	348.4	(98.7)	(1,048.7)	99.2	122.5

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	2017	2016	2015	2014	2013
Results – current operations					
EBIT	1,277.0	264.7	(1,125.5)	243.7	278.3
Significant non-recurring items	(178.6)	-	897.0	-	-
Underlying EBIT¹	1,098.4	264.7	(228.5)	243.7	278.3

1. Underlying EBIT represents EBIT adjusted for significant non-recurring items (before tax).

US\$ MILLION	2017	2016	2015	2014	2013
Assets and liabilities – the Group					
Property, plant and equipment	11,982.1	12,084.3	11,873.0	11,100.8	3,323.1
Intangible assets	622.3	620.6	628.6	839.0	284.0
Inventories	348.0	375.5	342.9	332.9	351.9
Trade and other receivables	506.6	915.7	801.2	620.4	303.9
Loan to a related party	120.0	95.0	-	80.0	-
Cash and cash equivalents	936.1	552.7	598.3	251.2	137.4
Other financial assets	17.8	12.7	27.3	39.1	122.3
Derivative financial assets	0.5	16.7	-	-	-
Current income tax assets	55.7	5.5	1.4	28.6	-
Deferred income tax assets	200.5	291.1	368.5	173.6	136.5
Assets of disposal group classified as held for sale	-	260.2	18.8	24.4	24.4
Total assets	14,789.6	15,230.0	14,660.0	13,490.0	4,683.5
Capital and reserves attributable to equity holders of the Company	1,211.4	1,030.5	666.6	1,686.3	1,620.1
Non-controlling interests	1,760.4	1,559.1	1,508.6	1,288.3	196.7
Total equity	2,971.8	2,589.6	2,175.2	2,974.6	1,816.8
Borrowings	9,192.5	10,253.2	10,263.1	8,208.9	1,621.4
Trade and other payables	730.1	652.6	527.6	573.4	235.6
Other liabilities	160.3	5.8	0.3	-	-
Current income tax liabilities	15.2	3.1	31.8	71.9	76.6
Provisions	856.7	972.9	913.5	886.8	687.9
Deferred income tax liabilities	863.0	683.0	744.0	769.9	239.3
Liabilities of disposal group classified as held for sale	-	69.8	4.5	4.5	5.9
Total liabilities	11,817.8	12,640.4	12,484.8	10,515.4	2,866.7
Total equity and liabilities	14,789.6	15,230.0	14,660.0	13,490.0	4,683.5

GLOSSARY

A\$	Australian dollar, the lawful currency of Australia
AGM	annual general meeting of the Company
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
Associate(s)	has the meaning ascribed to it under the Listing Rules
ASX	Australian Securities Exchange
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
Board Charter	the Board charter of the Company
BOC	Bank of China Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange
BOC Singapore	Bank of China Limited, Singapore branch
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank Corporation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China	has the same meaning as PRC
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
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the securities of which are listed and traded on the main board of the Hong Kong Stock Exchange and the ASX
Copper Partners Investment	Copper Partners Investment Co., Ltd, a subsidiary of CMC
Deloitte	Deloitte Touche Tohmatsu
Director(s)	the director(s) of the Company
DRC	Democratic Republic of the Congo
EBIT	earnings before interest (net finance costs) and income tax
EBITDA	earnings before interest (net finance costs), income tax, depreciation, amortisation and impairment expenses
EBITDA margin	EBITDA divided by revenue
ESG	Environmental, Social and Governance
Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Financial Officer, Executive General Manager – Stakeholder Relations, Executive General Manager – Business Support, Executive General Manager Operations - Africa, Australia and Asia and Executive General Manager Operations - Americas
EXIM	The Export-Import Bank of China
Gearing ratio	net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity
GRI	Global Reporting Initiative
Group	the Company and its subsidiaries
g/t	grams per tonne
HK\$	Hong Kong dollar, the lawful currency of Hong Kong

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 Holding Group Co., Ltd.
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Stock Exchange	(please refer to the definition of "Stock Exchange")
ICBC	Industrial and Commercial Bank of China Limited
ICMM	International Council on Mining and Metals
Indicated Mineral Resource	the part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve
JORC Code	Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'
Laos	the Lao People's Democratic Republic
Las Bambas Joint Venture Company	MMG South America Management Company Limited (also referred to as MMG SAM)
Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
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 HK	China Minmetals H.K. (Holdings) Limited, a company incorporated on 16 April 1996 in Hong Kong and an indirectly owned subsidiary of CMC
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 Finance Limited	a company incorporated on 15 June 2011 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG Laos Holdings	MMG Laos Holdings Limited, a company incorporated on 25 May 1993 in the Cayman Islands with limited liability and a wholly owned subsidiary of the Company
MMG or MMG Limited	has the same meaning as 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
MMG SA	MMG South America Company Limited, a company incorporated on 4 May 1990 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG South America Group	MMG SA and its subsidiaries
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Mtpa	million tonnes per annum
Ore Reserve	as defined under the JORC Code, the economically mineable part of a Measured and /or Indicated Mineral Resource
PEN	Peruvian Nuevo Sol, the lawful currency of Peru
PRC	the People's Republic of China excluding, for the purpose of this document only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, unless the context requires otherwise
Rights Issue	On 1 November 2016, the Company announced a rights issue on the basis of 1 rights issue for every 2 existing shares held by Shareholders. The results of the rights issue was confirmed on 14 December 2016 and 2,645,034,944 rights shares were allotted and issued on 15 December 2016. Details of the Rights Issue are set out in the Prospectus of the Company dated 23 November 2016

GLOSSARY (CONTINUED)

Securities Trading Model Code	a model code adopted by the Company for securities trading by directors of the Company on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholder(s)	the shareholder(s) of the Company
SHEC	Safety, Health, Environment and Community
Stock Exchange	The Stock Exchange of Hong Kong Limited
TC/RC	Treatment Charge (TC) and Refining Charge (RC) are commonly used in the terms of purchase for copper concentrate for refining. They are amounts designed to cover refining costs. For example, copper concentrate contracts may define a purchase price based on the LME price at a certain date, minus the TC or RC being used at the time
Top Create	Top Create Resources Limited, a company incorporated on 22 January 2004 in the British Virgin Islands with limited liability, a wholly owned subsidiary of CMN
TRIF	total recordable injury frequency per million hours worked
US\$	United States dollar, the lawful currency of the United States of America
US\$751.0 million Facility	the US\$751.0 million facility granted by CDB and BOC Sydney to Alumina Resources and MMG Management on 13 June 2012
VAT	value added tax

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

GUO Wengqing
(Non-executive Director)

Executive Directors

JIAO Jian
(Chief Executive Officer)
XU Jiqing
(Executive General Manager -
Marketing and Risk)

Non-executive Directors

GAO Xiaoyu
ZHANG Shuqiang

Independent Non-executive Directors

Peter CASSIDY
LEUNG Cheuk Yan
Jennifer SEABROOK
PEI Ker Wei

AUDIT COMMITTEE

Chairman

Jennifer SEABROOK

Members

GAO Xiaoyu
ZHANG Shuqiang
LEUNG Cheuk Yan
PEI Ker Wei

GOVERNANCE AND NOMINATION COMMITTEE

Chairman

LEUNG Cheuk Yan

Members

Peter CASSIDY
GAO Xiaoyu

REMUNERATION COMMITTEE

Chairman

Peter CASSIDY

Members

GAO Xiaoyu
ZHANG Shuqiang
Jennifer SEABROOK
PEI Ker Wei

RISK MANAGEMENT COMMITTEE

Chairman

PEI Ker Wei

Members

GAO Xiaoyu
Peter CASSIDY
LEUNG Cheuk Yan

DISCLOSURE COMMITTEE

Members

JIAO Jian
XU Jiqing
Ross CARROLL
Troy HEY
Nick MYERS
LEUNG Suet Kam Lucia

GENERAL COUNSEL

Nick MYERS

COMPANY SECRETARY

LEUNG Suet Kam Lucia

LEGAL ADVISER

Linklaters, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SHARE REGISTRARS

Hong Kong

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

Australia

Computershare Investor Services
Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067
Australia

PRINCIPAL BANKERS

China Development Bank Corporation
Industrial and Commercial Bank of
China Limited
Bank of China Limited
The Export-Import Bank of China
Bank of America Merrill Lynch Limited
Australia and New Zealand Banking
Group Limited
Banco Bilbao Vizcaya Argentaria, S.A.

INVESTOR AND MEDIA ENQUIRIES

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SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 1208

Australian Securities Exchange
Stock Code: MMG

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 versions of this Annual Report, the English text shall prevail to the extent of the inconsistency.



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