FINANCIAL INFORMATION OF THE GROUP FOR THE THREE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

The financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 can be referred to in the respective annual reports of the Company, which have been published on both the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.mmg.com).

- annual report of the Company for the year ended 31 December 2011 (pages I-68 to II-76);
- annual report of the Company for the year ended 31 December 2012 (pages 83 to 149);
- annual report of the Company for the year ended 31 December 2013 (pages 95 to 162).

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date and to the best of the knowledge and belief of the Directors, there is no material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the results of the Group for each of the years ended 31 December 2011, 2012 and 2013. The information is extracted from the annual reports of the Company and the announcements on the Group's annual results for the relevant years published on both the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.mmg.com).

The management, discussion and analysis for each period should be read in conjunction with the financial information of the Group included in the respective annual reports of the Company.

The presentation of the consolidated income statement and related notes to the financial statements of the Group was amended in 2012 to primarily present expenses by nature to align with the Group's internal reporting of operations.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

Overview

The Group's continuing operations recorded solid operating performance in 2011 with all mines within revised annual guidance for production and cost.

The Group benefited from higher sustained base and precious metal prices and sales volumes of copper cathode, zinc and lead however input cost pressures, most notably the stronger Australian dollar, continued to impact upon the operating sites' margins.

The Group's continuing operations' underlying EBITDA (excluding the following one-off items) was 2.1% below 2010 reflecting a higher level of expenditure on process and system standardisation necessary to support the Company's growth strategy.

US$ million	2011	2010
EBITDA — continuing operations	1,063.8	820.9
Adjust for one-off items:		
Gain from the sale of Equinox shares	152.1	—
Business acquisition credit/(expenses)	63.8	(86.4)
Asset/investment write-downs	(39.9)	—
Underlying EBITDA — continuing ops.	887.8	907.3

The Group's underlying net cash flow (excluding the following one-off items) was 31.1% below 2010 mainly due to higher capital expenditure and the timing of tax payments.

US$ million	2011	2010
Net cash flow	694.1	(79.3)
Adjust for one-off items:		
Acquisition of subsidiaries (MMG)	—	(100.0)
Placement of additional MMR shares	494.3	—
Net sale/(purchase) of Equinox shares	252.3	(100.2)
Net cash flow from trading, fabrication and other operations	(46.5)	54.1
Net proceeds from sale of the trading, fabrication and other operations	503.0	—
Loan payments made to Album Enterprises	(789.2)	—
Dividend paid to Album Enterprises	—	(340.0)
Underlying net cash flow	280.2	406.8

For the purpose of the management discussion and analysis, the Group's results for 2011 were compared to 2010 with the emphasis of commentary aligned with the disclosures within the financial statements, that is, focusing on the continuing operations.

The Group's management determined the operating segments based on reports reviewed by its Executive Committee. The Group's continuing operations are managed on a site-by-site basis. The Group's mining operations comprise the Century zinc/lead mine in Queensland, the Rosebery lead/zinc mine in Tasmania, the Golden Grove copper/zinc mine in Western Australia and the Sepon copper/gold project in Laos.

"Other" includes the Group's exploration and development projects, including Dugald River and the Izok Corridor Project.

The Group's discontinued operations during 2011 included the trading, fabrication and other operations mainly operating in China. As at 31 December 2011, there remained some minor holding entities which are expected to be wound up/disposed of during 2012.

Anvil Mining Limited

The following management discussion and analysis excludes Anvil as the Group's acquisition of Anvil occurred in 2012. The Group's results for 2011 include approximately US$14.4 million of pre-tax costs incurred in relation to the acquisition of Anvil.

Change in accounting policy

There have been no material changes in accounting policies or critical accounting estimates in relation to the Group as adopted for the 31 December 2010 accounts.

Year ended 31 December 2011 compared to the year ended 31 December 2010

Profit analysis for the Group's continuing operations

The following table shows the revenue and EBITDA results for its continuing operations by operating site.

US$ million	Century	Sepon	Golden Grove	Rosebery
Revenue				
2011	750.4	816.9	388.5	272.5
2010	711.4	596.7	391.3	220.5
EBITDA				
2011	293.0	529.4	101.6	108.6
2010	356.2	358.6	192.4	104.5

Revenue

The Group's continuing operations generated revenue of US$2,228.3 million in 2011, which was an increase of 16.1% on 2010 driven by higher base and precious metal prices and higher sales volumes of zinc and lead, as well as copper following Sepon's expansion works. This was partly offset by lower sales volumes of copper in copper concentrate and gold as compared to 2010.

Profit on sale of investment

The sale of the Group's investment in Equinox to Barrick Gold Corporation was completed in June 2011 (approximately 37.3 million shares at C$8.15 per share), realising a profit before tax of US$152.1 million, associated income tax payable of US$36.4 million and resultant profit after tax of US$115.7 million.

Volume

The following table summarises the Group's production results:

	2011	2010	Var %
Production data ('000 t)			
Ore mined*	11,075	11,783	(6.0)
Ore milled*	11,274	11,108	1.5
Zinc in zinc conc**	648.6	665.9	(2.6)
Copper in copper conc	21.7	33.5	(35.2)
Copper cathode	78.9	64.2	22.9
Lead in lead conc**	59.4	56.2	5.7
Production data ('000 oz)			
Gold***	86.6	114.1	(24.1)

* All sites
** Century, Rosebery and Golden Grove
*** Sepon and Rosebery

Ore mined was lower than 2010 due to the impacts of Tropical Storm Nock-Ten on Sepon partly offset by higher volume from Golden Grove.

Ore milled exceeded 2010 levels at Century, Rosebery and Sepon.

Zinc in zinc concentrate production was below 2010 production driven by lower zinc feed grades partly offset by higher throughput.

Copper cathode production reflected the first half year of full production from Sepon's expanded copper plant in 2011. Copper in copper concentrate at Golden Grove was 35.2% below 2010 production when the mine plan favoured copper-rich ore over the zinc ore.

Lead in lead concentrate production reflected higher throughput and recovery.

Gold production was below 2010 levels mainly due to ore availability from Sepon's Houay Yeng gold pit and lower grades.

Prices

The Group benefited considerably from sustained higher base and precious metal prices during 2011 as compared to 2010.

Average prices		**2011**	**2010**	**Var %**
LME Zinc	US$/t	2,190	2,160	1.4
LME Copper	US$/t	8,806	7,543	16.7
LME Lead	US$/t	2,396	2,149	11.5
Silver	US$/oz	35.15	20.20	74.0
Gold	US$/oz	1,568	1,221	28.4

Costs

The Group's cost of sales were US$1,301.9 million for 2011, which represented an increase of 25.0% compared to 2010. Operating costs were adversely impacted by:

- the stronger Australian dollar (A$) against the US dollar (US$). The A$:US$ rate averaged 1.033 for 2011 and 0.9192 for 2010. This increase of 12.4%, contributed to a material increase in the A$ denominated portion of operating sites' costs of US$73.6 million.

- price increases of key inputs into the Group's mining, processing and support activities as seen across the mining industry due to the current resources boom. These input cost pressures particularly impacted the costs associated with employees, contractors, energy and reagents.

- volume-related cost increases in 2011:

  - o Golden Grove's Scuddles mine restart;

  - o Sepon's copper expansion;

  - o Century's higher zinc and lead sales volumes; and

  - o increased throughput at Rosebery.

Government royalty expenses of US$94.4 million were 23.0% higher than 2010 mainly due to stronger financial performance by Sepon and Century.

Depreciation and amortisation expenses of US$308.5 million were 3.0% above 2010 numbers driven by increased charges at Sepon flowing from the copper plant expansion.

Selling expenses of US$80.3 million were $6.4 million above 2010 figures driven by higher sales volumes from Century and Sepon.

Administrative expenses of US$135.9 million were US$77.3 million above 2010. Business expenditure increased largely to support the Company's future growth strategy.

There has been a significant step up in investment in IT of approximately US$17 million relating to the transformation of key management systems to provide a foundation for the company's simplification and growth including essential infrastructure. Work has commenced on a standardised and simplified business management system, underpinned by common global processes and a standard SAP mining platform.

Business development activity has resulted in an increase of US$18 million which has focused on the advancement and development of projects such as Dugald River, the Izok Corridor Project, Century Phosphate and other growth projects in the pipeline. This also included additional merger and acquisition outlay reflecting a larger internal team and external advisors in support of potential acquisitions.

Business support costs included a further spend of US$17 million for operational excellence, in particular improved asset utilisation, establishment of a shared business services team and strategic sourcing which delivered sustainable business benefits in 2011 and will continue to do so in later years.

The 2010 result included a one-off benefit of US$6 million derived from the sub-lease of one floor of the Company's Melbourne Office.

The Company has also established a stronger presence at the registered office in Hong Kong by investing in the rollout of standardised processes and systems to align with the rest of the Company.

A **business acquisition expense** credit of US$63.8 million related to the reversal of assumed business acquisition costs provided for in 2010 (which totalled US$86.4 million) in relation to the acquisition of MMG. It was confirmed during the first half 2011 that these costs will not be payable by the Group.

Exploration expenses of US$64.0 million were 15.3% above 2010 mainly due to higher spend in Canada and at Rosebery. The weak US$ had an adverse impact on the Group's exploration costs of approximately US$4.4 million.

Other expenses included the impairment write-downs of the following items:

- Avebury mine's net fixed assets of US$24.3 million.
- Century trucks of US$9.2 million.
- Exploration listed investments — mark to market of US$6.4 million.

Net financing costs of US$46.2 million exceeded 2010 by US$7.7 million mainly due to higher interest expense on loans for the MMG acquisition.

The **tax expense** of the Group was $225.5 million in 2011. This represents an increase of $98.9 million compared to the tax expense in 2010 due to increased profit before tax and net tax benefits of $51.1 million credited in 2010 from recognition of deferred tax assets previously unrecognised. The Group's effective tax rate in 2011 was 31.8% and is consistent with the applicable taxation rates for Australia (30%) and Laos (33.3%) which are the major operating jurisdictions.

Profit after tax: The Group's Net Profit After Tax from continuing operations of US$483.6 million was 35.8% above 2010.

Segmental analysis

Century

Century's ore mined represented a strong result in view of the significant rainfall events in Queensland early in 2011. Higher throughput assisted production although zinc production fell below 2010 due to lower feed grades while lead benefited from higher recovery. Century's EBITDA margin decreased from 2010 due to unfavourable effects from the stronger A$ (US$14.7 million) and higher costs for employees, contractors and reagents.

Century	**2011**	**2010**	**Var %**
Production ('000 t)			
Ore mined	5,217.5	5,287.7	(1.3)
Ore milled	5,297.7	5,210.6	1.7
Zinc in zinc concentrate	497.3	510.6	(2.6)
Lead in concentrate	26.5	25.2	5.2
Financial			
EBITDA (US$ million)	293.0	356.2	(17.7)
EBITDA margin %	39.0	50.1	(22.0)

Sepon

Sepon's ore mined was lower than 2010 due to the impacts of Tropical Storm Nock-Ten. Ore milled and copper production exceeded 2010 which reflected the first half year of full production from the expanded copper plant. The second half 2011 exceeded pro rata nameplate capacity. Gold production was lower due to ore availability from the Houay Yeng gold pit and lower grades.

Sepon's EBITDA margin improved on 2010 due to the higher gold and copper prices partly offset by higher reagent costs.

Sepon	**2011**	**2010**	**Var %**
Production			
Ore mined ('000 t)	3,372.1	4,453.9	(24.3)
Ore milled ('000 t)	3,621.7	3,575.3	1.3
Copper cathode ('000 t)	78.9	64.2	22.9
Gold ('000 oz)	74.5	104.6	(28.8)
Financial			
EBITDA (US$ million)	529.4	358.6	47.6
EBITDA margin %	64.8	60.1	7.8

Golden Grove

Golden Grove's ore mined exceeded 2010 due to new development in copper ore zones and volume from the Scuddles mine which was restarted in the second quarter 2011. Copper ore milled and copper production were well below 2010 when the mine plan favoured copper-rich ore over the zinc ore.

Zinc ore mined and milled exceeded 2010 however zinc production was lower than the previous year driven by lower grades partly offset by higher throughput.

Golden Grove's EBITDA margin was significantly lower than in 2010 driven by the impact of the stronger A$ to costs (US$31.7 million), the Scuddles mine restart (US$21.2 million) as well as higher costs for employees and contractors.

Golden Grove	**2011**	**2010**	**Var %**
Production ('000 t)			
Ore mined	1,705.6	1,354.0	26.0
Ore milled	1,566.5	1,597.0	(1.9)
Zinc in zinc concentrate	70.7	73.3	(3.5)
Copper in copper concentrate	21.7	33.5	(35.2)
Financial			
EBITDA (US$ million)	101.6	192.4	(47.2)
EBITDA margin %	26.2	49.2	(46.8)

Rosebery

Rosebery recorded a strong performance in 2011 with higher ore mined driven by improved planning and coordination as well as mobile fleet and ventilation upgrades. Higher ore milled was driven by higher throughput partly offset by lower feed grades. Zinc production was lower as the increased throughput did not fully offset the declining zinc head feed grades. Higher throughput and recovery resulted in more lead.

Rosebery's EBITDA margin was below 2010 due to higher costs flowing from the unfavourable foreign exchange effects (US$17.6 million) and increased costs for employees and contractors.

Rosebery	**2011**	**2010**	**Var %**
Production ('000 t)			
Ore mined	779.4	687.2	13.4
Ore milled	788.4	724.8	8.8
Zinc in zinc concentrate	80.7	82.0	(1.6)
Lead in lead concentrate	25.4	23.2	9.5
Financial			
EBITDA (US$ million)	108.6	104.5	3.9
EBITDA margin %	39.9	47.4	(15.9)

Trading, fabrication and other

Trading, fabrication and other operations were classified as discontinued operations held for sale in 2011. Amortisation and depreciation and equity accounting for jointly-controlled entities and associates ceased from 1 January 2011.

Discontinued Operations	**2011**	**2010**	**Var %**
Profit (US$ million)			
Profit after income tax	37.5	74.2	(49.5)
Gain on disposal of subsidiaries and investment accounted for using the equity method	53.4	—	n/a
Total Net Profit After Tax	**90.9**	**74.2**	**22.5**

The 2011 post-tax profit of US$37.5 million was 49.5% below the 2010 figure mainly due to the exclusion of the Group's share of profits of jointly-controlled companies and associates of US$23.2 million.

The trading, fabrication and other operations generated lower profit in 2011 compared to 2010 mainly attributable to lower margins. The trading, fabrication and other operations recorded a loss as a result of cost increases.

The gain on the disposal of the trading, fabrication and other operations of US$53.4 million mainly related to Minmetals Aluminium after allowing for tax expense of US$32.6 million and transaction costs of US$1.5 million.

Development Projects

Dugald River, Australia

The Group is continuing to progress the development of the Dugald River project in north-west Queensland.

In the fourth quarter 2011, the Board approved a further expenditure of A$157 million for the next stage of the project, for spend up until the third quarter 2012.

In November 2011, The Queensland Department of Environment and Resource Management provided an assessment report on Dugald River's Environmental Impact Statement, advising that the project was suitable to proceed to the next stage of the approval process.

The Company is currently undertaking extensive pre-commitment activities including advancing engineering design, refining capital and operating cost estimates and advancing power, access and infrastructure negotiations.

Early works commenced on site in October 2011 and include the development of two exploration declines which will intersect the main part of the ore body in late 2012.

The final decision to develop the Dugald River project is expected to be made by the Board in 2012 and subject to other required approvals, the Company aims to have the mine in operation during 2014.

Dugald River project capitalised expenditure increased to US$58.1 million in 2011 (2010: US$5.7 million).

Izok Corridor Project, Canada

A pre-feasibility study identified the preferred development option for the Izok and High Lake ore bodies.

This includes the installation of a two-million tonne per annum concentrator at the Izok Lake deposit and developing the capacity to ship 650,000 tonnes of concentrate from Gray's Bay.

Initial work has now started on a definitive feasibility study for the integrated development of Izok Lake and High Lake which is expected to take 18 to 24 months.

Exploration costs in Canada/Americas totalled US$19.9 million in 2011 compared to US$11.4 million in 2010.

Golden Grove Copper Open Pit, Western Australia

During the first quarter 2011, the Board approved US$22 million for the development of an open copper pit at Gossan Hill as part of the Golden Grove operation. The copper open pit is expected to produce approximately 235,000 tonnes of copper concentrate containing 59,600 tonnes of copper metal in concentrate at 25% copper.

The project includes the development of an open pit mine, waste rock dump and supporting infrastructure including haul and access roads.

The first drill hole took place in November 2011 and full scale production commenced in January 2012.

Sepon Primary Gold Study

A scoping study, completed in late 2011, confirmed the potential to mine and process primary, refractory gold ores at Sepon. The Mineral Resource is 45Mt at 2.2g/t gold and will be mostly mined by open pit methods. A pre-feasibility study has commenced to evaluate the most suitable processing option and production rate, to carry out detailed metallurgical testing and to commence baseline field work to support the permitting process.

Commissioned Projects

Sepon copper output increased from 65,000 to 80,000 tonnes copper cathode per annum following the successful commissioning of the copper expansion project and ramp-up during the first half 2011. Total handover occurred for the transmission lines of the high voltage powerline and substations.

The Golden Grove Tailings Storage Facility 3 was handed over to site operations to commission during the first quarter 2011.

Cash flow analysis

Operating activities

The Group's continuing operations generated net cash from operations in 2011 of US$909.3 million which represented an increase of 7.5% on 2010. The increased cash flows were predominantly due to higher receipts from customers.

The Group paid income taxes totalling US$209.6 million in 2011 comprising:

- US$122.3 million payment from LXML:
  - — US$92.3 million which settled Sepon's 2010 tax liability (2010: US$57.5 million)

— US$30 million toward Sepon's 2011 tax liability which was a prepayment at the request of the Government of Laos to aid in the country's flood relief efforts.

- US$87.3 million from the MMG Australia group — which included US$50.4 million instalments toward the 2011 income tax liability.

The Group's discontinued operations generated net cash from operations of US$100.8 million which included a significant increase in bills payable.

Investing activities

The Group's continuing operations generated net cash from investing activities of US$285.3 million in 2011 which mainly reflected:

- Consideration received from the disposal of the trading, fabrication and other operations (net of cash held by these businesses, transaction costs, taxes paid and outstanding receivables) totalling US$503.0 million. The remaining funds were invested partly in cash deposits and a loan of US$95.0 million to Album Enterprises.

- Payments for property, plant and equipment of US$380.3 million which were 23.6% above 2010 driven by:

  — Higher mine development at Century

  — Dugald River project pre-commitment spend of US$58.1 million (2010: US$5.7 million).

- The Group's purchase of an additional US$58.9 million of Equinox shares during 2011 (2010: US$100.2 million) and subsequent proceeds of US$311.2 million from the disposal of its entire Equinox shareholding in the first half 2011.

The Group's discontinued operations drew down net cash of US$99.1 million mainly by placing more funds in time deposits.

Financing activities

The Group's continuing operations had a net cash outflow from financing activities of US$244.4 million in 2011.

- Proceeds of US$494.3 million were received from the issuance of 762,612,000 shares by the Company which were used toward full repayment of the loan from Album Enterprises (US$694.2 million) during the first half 2011.

- Principal repayments of US$17.2 million were made in 2011 in accordance with external debt agreements.

- Interest paid of US$26.3 million was US$1.2 million above 2010 due to the higher debt levels during 2011.

The Group's discontinued operations used net cash of US$48.2 million in financing activities, mainly the repayment of bank loans used to provide working capital for trading during 2011.

Financial resources and liquidity for the Group

The Group strengthened its liquidity and financial position during 2011. During the period:

- total liabilities decreased by 33.2% to US$1,959.1 million while total assets only decreased by 0.4% to US$3,453.5 million; and

- shareholders' equity increased by 200.9% to US$1,435.4 million primarily driven by the share placing and results for the period.

The gearing ratio calculation in relation to the Group's continuing operations is shown in the following table. As at 31 December 2011, the Group held more cash than it had borrowings given the recent receipt of consideration from the sale of the interests in Minmetals Aluminium and NCA. A substantial part of the cash has been used in funding the acquisition of Anvil in 2012.

US$ million	**2011**	**2010**
Cash and cash equivalents	1,096.5	398.2
Time deposits	—	12.8
Pledged bank deposits	—	6.4
Less: Total borrowings	1,081.7	1,965.3
Net (cash)/debt	**(14.8)**	**1,547.9**
Total equity	1,494.4	533.4
Gearing ratio	**N/A**	**2.9**

The current ratio in relation to the Group decreased from 1.7 at 31 December 2010 to 1.4 at 31 December 2011. The net increase in current assets driven by the sale of the trading, fabrication and other operations was less than the corresponding increase on current liabilities due to the classification of external debt which is due to be repaid during 2012. This includes US$751.0 million of facilities that expire in June 2012.

The Group's cash and bank deposits of US$1,096.5 million at 31 December 2011 were mainly denominated in US$.

As at 31 December 2011, the profile of the Group's borrowings was as follows:

- 0.4% were in A$ and 99.6% were in US$;

- 0.4% were in fixed rates and 99.6% were in floating rates; and

- 72.8% were repayable within 1 year, 3.3% were repayable between 1 and 2 years, 23.9% were repayable between 2 and 5 years.

Material Acquisitions and Disposals

Equinox shareholding

The Group disposed of its entire shareholding (equal to approximately 4.2% of the issued capital) in Equinox to Barrick Gold Corporation during June 2011.

Trading, fabrication and other

On 28 March 2011, the Board of the Company approved the program of strategic divestments, of assets that were assessed as not being core to the company's future and these assets included the trading, fabrication and other operations (the Disposal Group).

On 15 September 2011, the Company announced that the Company had agreed to sell its entire 100% equity interest in Minmetals Aluminium, Riseup Dragon Limited's (Riseup Dragon) entire 72.80% equity interest in NCA, Orienmet Industry Co. Ltd's (Orienmet Industry) entire 51% equity interest in Yingkou Orienmet and Lontic (H.K.) Limited's entire 36.2913% equity interest in Changzhou Jinyuan (together, the Disposal Group) for an aggregate consideration of US$726.8 million (the Disposal). The Disposal was approved by the independent shareholders of the Company on 28 October 2011 and materially completed in December 2011.

Save as disclosed above and the acquisition of Anvil, the Group did not make any other material acquisitions or disposals during 2011. The Group adopts a 5% threshold on assets, profit, revenue, market capitalisation ratios as guidance in determining materiality of the acquisitions and disposals.

Contingent liabilities

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

Certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company. These are primarily associated with the terms of mining leases or been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees amount to US$91.5 million (2010: US$112.8 million). Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences.

Charges on assets

As at 31 December 2011, the following assets of the Group were pledged to certain banks for the banking facilities granted to the Group.

- an external borrowing of US$190.0 million was secured by a share charge to the lender of 100% of the shares held in Album Resources' wholly owned subsidiary, Album Investment, a mortgage over 70% of the shares in certain subsidiaries of Album Investment and a mortgage over 70% of shares of MMG Laos Holdings Limited.

Risk management

The Group's activities expose it to a variety of financial risks, including commodity price risk, equities price risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk, operational risk and sovereign risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The use of financial derivative instruments strictly follows the yearly plans approved by the Board of directors of the Company and its subsidiaries. The Group does not and is prohibited from entering into derivative contracts for speculative purposes.

Commodity price risk

The principal activities of the Group are the mining and sale of zinc, copper, lead, gold and silver. As commodity markets are influenced by global as well as regional supply and demand conditions, any unexpected price changes in the market exchanges might affect the Group's earnings and performance. To mitigate this risk, the Group closely monitors any significant exposures. The Group generally believes commodity price hedging in relation to the mining operations would not provide long-term benefits to its shareholders.

Equities price risk

The Group is no longer materially exposed to equity securities price risk. This previously arose from investments held by the Group in Equinox.

Interest rate risk

The Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

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

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 with the Group is US$. The majority of revenue received by the Group is US$. The Group's foreign currency exchange risk arises predominantly from the currency in which the Group's operations are located.

The Group is exposed to foreign exchange risk primarily with respect to the A$, the Hong Kong dollars (HK$) and the Canadian dollars (C$) in relation to the Group's continuing operations. Given the exchange rate peg between HK$ and US$, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HK$ or US$. However, exchange rate fluctuations of A$ or C$ against US$ could affect the Group's performance and asset values.

Under normal market conditions, the Group does not believe that the active currency hedging of transactions would provide long-term benefit to shareholders. The Group tries to minimise these exposures through natural hedges wherever possible. For instance, the majority of external debt and surplus cash is denominated in US$. A portion of cash may be held in A$ to meet operating costs.

The long-term relationship between commodity prices and the currencies of the countries where the Group operates provides a degree of natural protection. However, the Group may choose to hedge large foreign currency exposures such as capital expenditure, dividends or tax payments.

Credit risk

Credit risk in relation to the Group's continuing operations arises primarily from: trade receivables and bank deposits. The Group's maximum exposure to this risk, without taking account of any collateral held, is represented by the carrying amounts of these financial assets in the consolidated balance sheet after deducting any provision for impairment.

Liquidity risk

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

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

Operational Risk

The Group's operational risks include secure supply of key inputs such as electricity and fuel.

Sovereign Risk

The Group has operations in developing countries which may carry higher levels of sovereign risks. In general, however, mining companies are increasingly willing to develop or acquire projects in locations that would traditionally have been viewed as having higher sovereign risks.

Capital risk management

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern, support the Group's sustainable growth, enhance shareholder value and provide capital for potential acquisitions and investment.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders, issue new shares or raise/repay debts.

The Group monitors capital by using the gearing ratio defined as total borrowings less cash and bank deposits divided by shareholders' equity.

Capital expenditure and commitments

The Group's capital expenditure of US$380.3 million for 2011 (2010: US$307.7 million) included US$235.6 million of growth-related capital expenditure (2010: US$191.6 million). The growth-related capital expenditure mainly reflected:

Growth capital (US$ million)	**2011**	**2010**
Mine development — Century	127.1	106.0
Mine development — Sepon	42.5	15.0
Dugald River total spend	58.1	5.7
Copper expansion — Sepon	5.9	43.1
Ventilation upgrade — Rosebery	1.0	4.4
Open Pit — Golden Grove	0.6	—
Tailings Storage Facility #3 — Golden Grove	0.4	17.4

Century's mine development related to Stage 8 (bulk waste) and Stage 9 and the expansion cut-back.

The Group's capital and non-capital commitments as at 31 December 2011 amounted to US$224.1 million (2010: US$63.9 million).

Human resources

As at 31 December 2011, the Group employed a total of 3,677 full-time employees in its continuing operations (not including contractors of the Group) of which 16 were based in Hong Kong, 1,740 in Australia, 1,832 in Laos, 21 in Canada and 68 in Group Exploration. Total staff costs for the Group's continuing operations for 2011, including director's emoluments amounted to US$331.5 million (2010: US$262.6 million).

The Group has adopted remuneration policies in line with market practice and remunerated its employees based on the responsibilities of their role, their performance and the performance of the Company. Other employee benefits include performance-related incentives and, in specific cases, insurance and medical coverage and a limited share option scheme. An extensive training program is offered to employees across the Company which is designed to improve individual and group performance.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

Overview

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

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

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

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

Year ended 31 December (continuing operations)	**Revenue**			**Underlying EBITDA**		
	2012	**2011**	**Change**	**2012**	**2011**	**Change**
	US$ million	*US$ million*	*%*	*US$ million*	*US$ million*	*%*
Sepon	806.2	816.9	(1)	491.4	529.4	(7)
Kinsevere[(i)]	279.9	—	N/A	131.1	—	N/A
Century	752.9	750.4	0	283.6	293.0	(3)
Rosebery	267.5	272.5	(2)	85.7	108.6	(21)
Golden Grove	392.9	388.5	1	67.9	101.6	(33)
Other	—	—	—	(206.5)	(184.7)	(12)
Total	2,499.4	2,228.3	12	853.2	847.9	1

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

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

Revenue

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

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

Price

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

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

Sales volumes

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

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

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

Payable metal in product sold Year ended 31 December	2012	2011	Change %
Copper (tonnes)	148,850	106,794	39
Zinc (tonnes)	543,420	550,117	(1)
Lead (tonnes)	51,979	51,560	1
Gold (ounces)	129,577	113,419	14
Silver (ounces)	4,247,586	2,888,576	47

Payable metal in product sold Year ended 31 December 2012	Copper *tonnes*	Zinc *tonnes*	Lead *tonnes*	Gold *ounces*	Silver *ounces*
Sepon	85,150	—	—	67,400	33,441
Kinsevere[(i)]	35,698	—	—	—	—
Century	—	443,562	21,850	—	48,392
Rosebery	2,129	62,283	22,282	31,136	2,356,691
Golden Grove	25,873	37,575	7,847	31,041	1,809,062
Total	148,850	543,420	51,979	129,577	4,247,586

Payable metal in product sold Year ended 31 December 2011	Copper *tonnes*	Zinc *tonnes*	Lead *tonnes*	Gold *ounces*	Silver *ounces*
Sepon	79,508	—	—	71,128	37,993
Kinsevere[(i)]	—	—	—	—	—
Century	—	419,250	25,112	—	123,895
Rosebery	983	70,906	23,068	24,857	1,720,599
Golden Grove	26,303	59,961	3,380	17,434	1,006,089
Total	106,794	550,117	51,560	113,419	2,888,576

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The Group realised a gain of US$152.1 million (US$114.8 million after tax) from the disposal of shares held in Equinox Minerals Limited (Equinox); and

- The Group wrote back business acquisition costs of US$63.8 million (US$63.8 million after tax), which were accrued in 2010 in respect of the acquisition of Minerals and Metals Group.

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

Year ended 31 December (continuing operations)	**2012** *US$ million*	**2011** *US$ million*
EBITDA	853.2	1,063.8
Adjustments for significant non-recurring items:		
Gain on disposal of available-for-sale financial assets	—	(152.1)
Write-back of business acquisition expenses	—	(63.8)
Underlying EBITDA	853.2	847.9

Year ended 31 December (continuing operations)	**2012** *US$ million*	**2011** *US$ million*
Profit	217.5	483.6
Adjustments for significant non-recurring items:		
Gain on disposal of available-for-sale financial assets (after tax)	—	(114.8)
Write-back of business acquisition expenses (after tax)	—	(63.8)
Underlying profit	217.5	305.0

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

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

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

Segment analysis

Sepon

Year ended 31 December	2012	2011	Change
			%
Production:			
Ore mined (tonnes)	3,778,465	3,372,065	12
Ore milled (tonnes)	4,270,548	3,621,665	18
Copper cathode (tonnes)	86,295	78,860	9
Gold (ounces)	70,275	74,485	(6)
Silver (ounces)	33,311	39,817	(16)
Payable metal in product sold:			
Copper (tonnes)	85,150	79,508	7
Gold (ounces)	67,400	71,128	(5)
Silver (ounces)	33,441	37,993	(12)

Year ended 31 December	2012	2011	Change
	US$ million	*US$ million*	%
Revenue	806.2	816.9	(1)
Operating expenses	(313.9)	(285.8)	10
EBITDA[(i)]	491.4	529.4	(7)
Depreciation and amortisation	(80.5)	(58.1)	39
Operating profit (EBIT)	410.9	471.3	(13)
EBITDA margin	61%	65%	

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

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

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

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

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

Kinsevere

Year ended 31 December[i]	**2012**	**2011**	**Change**
			%
Production:			
Ore mined (tonnes)	797,164	—	N/A
Ore milled (tonnes)	923,849	—	N/A
Copper cathode (tonnes)	36,048	—	N/A
Payable metal in product sold:			
Copper (tonnes)	35,698	—	N/A

Year ended 31 December[i]	**2012**	**2011**	**Change**
	US$ million	*US$ million*	%
Revenue	279.9	—	N/A
Operating expenses	(149.2)	—	N/A
EBITDA[ii]	131.1	—	N/A
Depreciation and amortisation	(70.7)	—	N/A
Operating profit (EBIT)	60.4	—	N/A
EBITDA margin	47%	—	

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

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

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

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

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

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

Century

Year ended 31 December	2012	2011	Change
			%
Production:			
Ore mined (tonnes)	5,204,013	5,217,470	0
Ore milled (tonnes)	5,413,520	5,297,721	2
Zinc in zinc concentrate (tonnes)	514,707	497,250	4
Lead in lead concentrate (tonnes)	21,390	26,536	(19)
Payable metal in product sold:			
Zinc (tonnes)	443,562	419,250	6
Lead (tonnes)	21,850	25,112	(13)
Silver (ounces)	48,392	123,895	(61)

Year ended 31 December	2012	2011	Change
	US$ million	*US$ million*	%
Revenue	752.9	750.4	0
Operating expenses	(476.1)	(443.0)	7
EBITDA[(i)]	283.6	293.0	(3)
Depreciation and amortisation	(235.3)	(176.8)	33
Operating profit (EBIT)	48.3	116.2	(58)
EBITDA margin	38%	39%	

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

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

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

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

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

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

Rosebery

Year ended 31 December	2012	2011	Change %
Production:			
Ore mined (tonnes)	856,957	779,447	10
Ore milled (tonnes)	812,595	788,411	3
Copper in copper concentrate (tonnes)	1,587	1,826	(13)
Zinc in zinc concentrate (tonnes)	70,410	80,670	(13)
Lead in lead concentrate (HPM, tonnes)	20,146	25,352	(21)
Payable metal in product sold:			
Copper (tonnes)	2,129	983	117
Zinc (tonnes)	62,283	70,906	(12)
Lead (tonnes)	22,282	23,068	(3)
Gold (ounces)	31,136	24,857	25
Silver (ounces)	2,356,691	1,720,599	37

Year ended 31 December	2012 *US$ million*	2011 *US$ million*	Change %
Revenue	267.5	272.5	(2)
Operating expenses	(182.8)	(153.1)	19
EBITDA[(i)]	85.7	108.6	(21)
Depreciation and amortisation	(26.5)	(21.8)	21
Operating profit (EBIT)	59.2	86.8	(32)
EBITDA margin	32%	40%	

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

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

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

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

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

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

Golden Grove

Year ended 31 December	2012	2011	Change %
Production:			
Ore mined (tonnes)	1,918,341	1,705,622	12
Ore milled (tonnes)	1,668,080	1,566,510	6
Copper in copper concentrate (tonnes)	28,406	21,661	31
Zinc in zinc concentrate (tonnes)	37,419	70,687	(47)
Lead in lead concentrate (HPM, tonnes)	5,344	7,482	(29)
Payable metal in product sold:			
Copper (tonnes)	25,873	26,303	(2)
Zinc (tonnes)	37,575	59,961	(37)
Lead (tonnes)	7,847	3,380	132
Gold (ounces)	31,041	17,434	78
Silver (ounces)	1,809,062	1,006,089	80

Year ended 31 December	2012 *US$ million*	2011 *US$ million*	Change %
Revenue	392.9	388.5	1
Operating expenses	(324.3)	(276.2)	17
EBITDA[(i)]	67.9	101.6	(33)
Depreciation and amortisation	(32.1)	(48.3)	(33)
Operating profit (EBIT)	35.8	53.3	(33)
EBITDA margin	17%	26%	

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

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

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

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

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

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

Cash flow analysis

Net cash flow

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

Year ended 31 December	**2012**	**2011**
	US$ million	*US$ million*
Continuing operations:		
Operating cash flows	655.3	699.7
Investing cash flows	(2,158.1)	379.3
Financing cash flows	434.5	(338.4)
	(1,068.3)	740.6
Discontinued operations cash flows	—	(46.5)
Net cash flow — (decrease)/increase	(1,068.3)	694.1

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

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

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

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

Capital expenditure on major projects

Year ended 31 December	**2012**	**2011**	**Total to date**
	US$ million	*US$ million*	*US$ million*
Dugald River	223.6	58.1	288.4
Izok Corridor	36.6	—	36.6
Copper Oxide Copper Pit — Golden Grove	24.4	0.6	25.0
Total	284.6	58.7	350.0

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

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

Financial resources and liquidity

Year ended 31 December	**2012**	**2011**	**Change**
	US$ million	*US$ million*	*US$ million*
Total assets	4,659.2	3,453.5	1,205.7
Total liabilities	2,973.4	1,959.1	1,014.3
Total equity	1,685.8	1,494.4	191.4

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

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

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

The Group's cash and cash equivalents amounting to US$102.1 million (2011: US$1,096.5 million) were mainly denominated in US$.

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

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

The Group's capital and non-capital commitments as at 31 December 2012 amounted to US$376.5 million (2011: US$67.9 million). The Group's gearing ratio was 0.46 as at 31 December 2012.

Development projects

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

Dugald River, Australia

The development and construction of the Dugald River project was endorsed by the Board on 17 December 2012 with a final investment decision subject to the finalisation of financing.

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

In 2012, agreements for gas supply and rail haulage were finalised and the two exploration declines continued to advance ahead of schedule, now in excess of 4,500 metres.

Pre-commitment activities progressed including engineering design and early construction associated with earthworks, roads and accommodation.

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

Additional expenditure was approved by the Board enabling development and construction to progress leading up to the finalisation of financing arrangements with independent financiers which are expected to be completed in early 2013.

Total project cost is expected to be approximately A$1,488 million excluding financing costs.

Izok Corridor, Canada

The Company continued to progress a feasibility study for the integrated development of the Izok and High Lake copper-zinc deposits.

The proposed project includes open-pit and underground mines at Izok and High Lake and a two-million tonne per annum concentrator at Izok.

The proposed transportation route is likely to be a 325-kilometre all-weather road that enables High Lake ore to be hauled for processing and connects to a new port at Grays Bay. The port would have the capacity to ship 650,000 tonnes of concentrate per annum.

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

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

People

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

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

- The additional 630 employees at the Kinsevere mine.

- An increase of approximately 700 employees at Sepon, includes the conversion of casual staff to direct employees and the transition to an owner-operated mine.
- A decrease of approximately 100 employees at Golden Grove, following the strategic review and rationalisation of the operation.

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

The Group has developed remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their role, their performance, market requirements and the performance of the Company. Employee benefits include market-competitive fixed remuneration, performance-related incentives, 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 Company that are designed to improve individual capability, and enhance employee and Group performance.

Material acquisitions and disposals

Acquisition of Anvil

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

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

Divestment of the trading, fabrication and other operations of the Company

In December 2011, the Group completed the sale of its interest in the trading, fabrication and other downstream operations to a controlling Shareholder of the Group, China Minmetals Non-ferrous Metals Co. Ltd. (CMN), for aggregate consideration of US$726.8 million.

Financial and capital risk management

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

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

Contingent liabilities

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

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

Charges on assets

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

- the US$751.0 million facility granted by CDB and BOC Sydney to Album Resources and MMG Management dated 12 June 2012 (US$751.0 million Facility), with respect to a borrowing of US$751.0 million;

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

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

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

- a first ranking equitable mortgage over 100% of the shares held in Album Resources' wholly owned subsidiary, Album Investment;

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

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

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

Capital expenditure and commitments

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

C. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2013

Overview

For the purpose of the management discussion and analysis, the Group's results for the 12 months ended 31 December 2013 are compared with results for the 12 months ended 31 December 2012.

Year ended 31 December	2013	2012	Change
	US$ million	*US$ million (Restated)*	*%*
Revenue	2,469.8	2,499.4	(1)
Operating expenses	(1,544.0)	(1,537.4)	(0)
Administration expenses	(84.1)	(125.3)	33
Exploration expenses	(71.9)	(77.3)	7
Other income and expenses	(18.9)	(21.5)	12
EBITDA	750.9	737.9	2
Depreciation, amortisation and impairment expenses	(472.6)	(308.7)	(53)
EBIT	278.3	429.2	(35)
Net finance costs	(77.2)	(87.7)	12
Profit before income tax	201.1	341.5	(41)
Income tax expense	(78.6)	(107.4)	27
Profit for the year	122.5	234.1	(48)

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

Year ended 31 December	Revenue			EBITDA		
	2013	2012	Change	2012	2013	Change
	US$ million	*US$ million*	*%*	*US$ million*	*US$ million (Restated)*	*%*
Sepon	746.2	806.2	(7)	396.5	491.4	(19)
Kinsevere[(i)]	455.3	279.9	63	198.0	131.1	51
Century	721.0	752.9	(4)	176.5	192.6	(8)
Rosebery	253.3	267.5	(5)	84.3	85.7	(2)
Golden Grove	294.0	392.9	(25)	73.0	67.9	8
Other	—	—	N/A	(177.4)	(230.8)	(23)
Total	2,469.8	2,499.4	(1)	750.9	737.9	2

(i) MMG acquired Kinsevere as part of the acquisition of Anvil Mining Limited in February 2012. The financial results of Kinsevere have been consolidated from 17 February 2012.

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

Revenue

The Group's operations generated revenue of US$2,469.8 million for the year ended 31 December 2013, US$29.6 million (1%) lower than the year ended 31 December 2012.

Kinsevere operated for a full 12 months under MMG ownership in 2013 following the acquisition of Anvil Mining Limited in February 2012, and contributed an additional US$175.4 million in the full year 2013 when compared with the full year 2012.

Revenue by commodity	2013	2012	Change
			%
Copper (US$million)	1,364.9	1,179.8	16
Zinc (US$million)	739.1	873.8	(15)
Lead (US$million)	136.9	89.0	54
Gold US$million)	122.0	225.9	(46)
Silver (US$million)	106.9	130.9	(18)
Total	2,469.8	2,499.4	(1)

Price

Lower average LME base metals prices in 2013 compared with 2012 had an unfavourable impact on revenue.

Average LME cash price	**2013**	**2012**	**Change**
			%
Copper (US$/tonne)	7,322	7,950	(8)
Zinc (US$/tonne)	1,909	1,946	(2)
Lead (US$/tonne)	2,141	2,061	4
Gold (US$/ounce)	1,410	1,668	(16)
Silver (US$/ounce)	23.79	31.15	(24)

Sales Volumes

Payable metal in product sold Year ended 31 December	**2013**	**2012**	**Change**
			%
Copper (tonnes)	187,449	148,850	26
Zinc (tonnes)	493,339	543,420	(9)
Lead (tonnes)	77,685	48,837	59
Gold (ounces)	89,996	123,214	(27)
Silver (ounces)	4,713,267	3,632,629	30

Payable metal in product sold Year ended 31 December 2013	**Copper**	**Zinc**	**Lead**	**Gold**	**Silver**
	tonnes	*tonnes*	*tonnes*	*ounces*	*ounces*
Sepon	92,687	—	—	38,843	83,663
Kinsevere(i)	62,074	—	—	—	—
Century	—	402,421	49,751	—	1,144,351
Rosebery	1,576	75,611	23,786	29,161	2,392,054
Golden Grove	31,112	15,307	4,148	21,992	1,093,199
Total	187,449	493,339	77,685	89,996	4,713,267

Payable metal in product sold Year ended 31 December 2012	Copper *tonnes*	Zinc *tonnes*	Lead *tonnes*	Gold *ounces*	Silver *ounces*
Sepon	85,150	—	—	71,701	37,279
Kinsevere[(i)]	35,698	—	—	—	—
Century	—	443,562	21,850	—	48,392
Rosebery	2,129	62,283	22,282	31,136	2,356,691
Golden Grove	25,873	37,575	4,705	20,377	1,190,267
Total	148,850	543,420	48,837	123,214	3,632,629

(i) MMG acquired Kinsevere as part of the acquisition of Anvil in February 2012.

A strong and consistent performance at Sepon and ramp-up of Kinsevere resulted in a 26% increase in copper sales volumes, compared with the year ended 31 December 2012.

Following the completion of the acquisition of Anvil Mining Limited (Anvil) in February 2012 and subsequent ramp-up to nameplate capacity, Kinsevere contributed an additional 26,376 tonnes of copper cathode sales. Higher level of equipment availability and improvements in efficiency at Sepon led to an additional 7,537 tonnes of copper cathode sold in the full year 2013.

Zinc sales volumes were 9% lower for the year due to reducing grades at Century, marginally offset by increased sales volumes at Rosebery. The mine plan at Golden Grove favoured copper production in 2013 resulting in lower zinc concentrate production and sales.

Gold sales volumes decreased 27% primarily due to lower gold production at Sepon.

Lead sales volumes increased by 59% compared with the year ended 2012 due to Century reclaiming additional lead from storage dams and trucking to the Karumba Port.

Operating expenses include operating site expenses excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses, corporate recharge expenses and other operating expenses. Operating expenses have increased by US$6.6 million compared to 2012.

Kinsevere incurred an additional US$108.1 million of operating expenses in 2013 reflecting the inclusion of 12 months of expenses in 2013 (2012: 10 months). The use of diesel and high-cost grid-sourced power adversely impacted Kinsevere production expenses by US$44.8 million, however it contributed to an additional 26,376 tonnes of copper and $175.4 million of revenue in 2013.

Excluding Kinsevere, operating expenses decreased by US$101.5 million compared to 2012.

Golden Grove operating expenses decreased by US$98.4 million compared to the comparative period, influenced by lower production and sales volumes as well as favourable unit cost performance following the strategic review and operational restructure in 2012.

Higher operating expenses as a result of higher sales volumes at Rosebery, Century and Sepon were mitigated by favourable unit cost performance driven by a focus on asset utilisation and business improvement initiatives. In addition to normal operating activities, Sepon operating expenses were also impacted by US$10.3 million one-off expenses related to the suspension of Gold operations.

The weaker Australian dollar is estimated to have resulted in a favourable US$58.3 million impact on operating expenses.

Administrative expenses of US$84.1 million for the full year 2013 decreased by US$41.2 million (33%) compared with 2012.

The Group continued to invest in growth activities expected to deliver future value to the Company and focused on implementing a long-term sustainable business model.

Administrative expenses decreased compared to 2012 mainly due to a US$19.0 million decrease in incentive costs and a US$19.3 million increase in expenses recharged direct to operating sites. Long-term incentives (LTI) reduced compared with 2012 due to the reversal of provisions held in relation to prior years. Administrative expense recharges to sites increased as sites continue to embrace the centralised operating model including the provision of business improvement and operational excellence expertise from Group office.

Exploration expenses decreased by US$5.4 million (7%) to US$71.9 million in 2013 due mainly to reduced spending on mine district exploration.

The Group invested US$35.2 million in mine district exploration, a decrease of US$18.3 million compared with 2012. Exploration in 2013 focused on sustaining and expanding current Ore Reserves and increasing the mine life of existing assets with particular focus at Sepon and Golden Grove.

MMG invested US$36.7 million in new discovery and project generation programs in Australia, the Americas and Africa.

Other income and expenses had an aggregate unfavourable US$18.9 million and US$21.5 million impact on EBIT in 2013 and 2012 respectively.

Items in 2013 included foreign exchange gains on translation of monetary items of US$12.6 million (2012: US$3.3 million), offset by US$6.6 million losses on financial assets recognised at fair value through profit or loss (2012: US$14.1 million), and other sundry income and expense items.

Depreciation, amortisation and impairment expenses increased by US$163.9 million to US$472.6 million in 2013.

The increase primarily related to the Kinsevere (US$55.4 million), Century (US$52.0 million) and Golden Grove (US$30.7 million) operations.

The variance was driven by higher ore mined and ore milled volumes, the inclusion of an additional two months of expense for Kinsevere in 2013, the commencement of the Golden Grove open pit in 2012 and higher amortisation of deferred waste balances at Century related to Stage 9 mining.

The variance was also impacted by the recognition of a US$11.3 million impairment expense related to Sepon gold assets in 2013 and the 2012 US$24.3 million reversal of impairment of Avebury fixed assets previously recognised in 2011.

Net finance costs decreased by US$10.5 million to US$77.2 million in 2013. The decrease was driven by a US$13.2 million reduction in the interest unwind of long-term provisions and the capitalisation of US$13.9 million interest expense related to the funding of the Dugald River project. This was partially offset by higher interest expense due to an increase in the effective interest rate on borrowings to 3.1% (2012: 2.6%).

The reduction in the interest unwind of long-term provisions followed the alignment of discount rates to the currency and expected maturity profile of obligations.

Income tax expenses decreased by US$28.8 million to US$78.6 million in 2013 reflecting the decrease in profit before income tax for the Group. The effective tax rate for the year ending 31 December 2013 was 39.1%. This is higher than the statutory tax rates applicable in MMG's operating jurisdictions (Laos 33.3%, Australia 30.0% and DRC 30.0%) due to the impact of tax credits not recognised for the purposes of HKFRS 12 Income Taxes relating to exploration and corporate costs, and adjustments relating to prior years for the DRC including expiry of carry forward tax losses (5 year time limit in DRC) and non-deductible charges.

Segmental analysis

Sepon

Year ended 31 December	**2013**	**2012**	**Change** %
Production			
Ore mined (tonnes)	3,589,858	3,778,465	(5)
Ore milled (tonnes)	4,141,945	4,270,548	(3)
Copper cathode (tonnes)	90,030	86,295	4
Gold (ounces)	36,075	70,275	(49)
Silver (ounces)	81,899	35,703	129
Payable metal in product sold			
Copper (tonnes)	92,687	85,150	9
Gold (ounces)	38,843	71,701	(46)
Silver (ounces)	83,663	37,279	124

Year ended 31 December	2013	2012	Change
	US$ million	*US$ million*	*%*
Revenue	746.2	806.2	(7)
Operating expenses			
Production expenses			
Mining	(38.9)	(48.6)	20
Processing	(112.3)	(103.5)	(8)
Other	(111.7)	(114.5)	2
Total production expenses	(262.9)	(266.6)	1
Freight (transportation)	(8.7)	(9.0)	3
Royalties	(33.1)	(35.9)	8
Other[i]	(30.9)	(2.4)	(1,173)
Total operating expenses	(335.6)	(313.9)	(7)
EBITDA[ii]	396.5	491.4	(19)
Depreciation, amortisation and impairment expenses	(77.8)	(80.5)	3
EBIT	318.7	410.9	(22)
EBITDA margin	53%	61%	

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

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

Sepon achieved outstanding annual copper production results with 90,030 tonnes of copper cathode produced in 2013. Improvements in efficiencies, productivity and the high level of equipment availability were critical to optimising the capability of the copper mining operation.

Despite a 9% increase in copper sales, revenue decreased by US$60.0 million (7%) compared to 2012 as increased copper sales were offset by a lower average realised copper price. Gold revenue, which represented 7% of total revenue in 2013, was impacted by lower sales volumes at a lower average realised price.

Total production expenses decreased by US$3.7 million (1%) in 2013 despite the one-off costs associated with the cessation of gold. The transition of Sepon to an owner-operator mine contributed to a reduction in contractor costs (primarily related to mining costs) of US$15.1 million compared to 2012. All mining activity is now undertaken by MMG employees enabling the Company to focus on safety, volume and costs.

MMG announced in November 2013 that it would cease gold production at Sepon in December due to depleting ore reserves and lower margins. The decision to place the gold plant on care and maintenance and the corresponding restructure have resulted in a one-off unfavourable impact to EBIT of US$21.6 million, including the recognition of US$11.3 million of impairment expense.

Depreciation and amortisation (excluding impairment) reduced by US$14.0 million (17%) due to lower mining and milling volumes and lower amortisation of deferred waste balances related to gold production.

Kinsevere

Year ended 31 December	**2013**	**2012**	**Change**
			%
Production			
Ore mined (tonnes)	2,592,960	797,164	225
Ore milled (tonnes)	1,588,563	923,849	72
Copper cathode (tonnes)	62,076	36,048	72
Payable metal in product sold			
Copper (tonnes)	62,074	35,698	74

Year ended 31 December	**2013**	**2012**	**Change**
	US$ million	*US$ million*	%
Revenue	455.3	279.9	63
Operating expenses			
Production expenses			
Mining	(19.4)	(18.3)	(6)
Processing	(41.2)	(32.5)	(27)
Other	(132.6)	(83.1)	(60)
Total production expenses	(193.2)	(133.9)	(44)
Freight (transportation)	(37.2)	(6.8)	(447)
Royalties	(19.0)	(12.0)	(58)
Other [(i)]	(7.9)	3.5	N/A
Total operating expenses	(257.3)	(149.2)	(72)
EBITDA [(ii)]	198.0	131.1	51
Depreciation, amortisation and impairment expenses	(126.1)	(70.7)	(78)
EBIT	71.9	60.4	19
EBITDA margin	43%	47%	

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

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

In its first full year under MMG ownership, Kinsevere achieved an annual production record of 62,076 tonnes of copper cathode, exceeding nameplate capacity of 60,000 tonnes. This was due to sustainable levels of high throughput, improved efficiencies and a stable electricity supply enabled by the use of diesel generators.

Revenue increased by US$175.4 million (63%) compared to 2012 reflecting a 74% increase in copper sales, albeit at a lower average realised price. Comparative figures in 2012 are consolidated from 17 February 2012 following the acquisition of Anvil in February 2012.

Kinsevere mined 225% more ore compared to 2012, however mining costs were well controlled and only increased by US$1.1 million (6%). Ore processed also increased significantly by 72% with a corresponding 27% increase in processing costs. Total production expenses increased by US$59.3 million (44%) compared to 2012, reflecting the full year production of Kinsevere and higher energy costs.

The use of diesel and high-cost grid-sourced power resulted in a US$44.8 million increase in energy costs compared to 2012 (energy costs are reported as part of other production expenses). Kinsevere power requirements continue to be sourced via the electricity grid and from diesel generators. In 2013 approximately 57% of power requirements were met from electricity sourced via diesel generation.

Depreciation, amortisation and impairment expenses increased US$55.4 million (78%) corresponding to the increase in mining and processing volumes.

Century

Year ended 31 December	**2013**	**2012**	**Change** %
Production			
Ore mined (tonnes)	6,947,259	5,204,013	33
Ore milled (tonnes)	7,096,282	5,413,520	31
Zinc in zinc concentrate (tonnes)	488,233	514,707	(5)
Lead in lead concentrate (tonnes)	54,163	21,390	153
Payable metal in product sold			
Zinc (tonnes)	402,421	443,562	(9)
Lead (tonnes)	49,751	21,850	128
Silver (ounces)	1,144,351	48,392	2,265

Year ended 31 December	2013 *US$ million*	2012 *US$ million* *(Restated)*	Change *%*
Revenue	721.0	752.9	(4)
Operating expenses			
Production expenses			
Mining	(112.2)	(128.9)	13
Processing	(259.5)	(249.9)	(4)
Other	(74.0)	(84.0)	12
Total production expenses	(445.7)	(462.8)	4
Freight (transportation)	(46.2)	(48.4)	5
Royalties	(23.2)	(20.5)	(13)
Other (i)	(36.7)	(35.4)	(4)
Total operating expenses	(551.8)	(567.1)	3
EBITDA (ii)	176.5	192.6	(8)
Depreciation, amortisation and impairment expenses	(172.7)	(120.7)	(43)
EBIT	3.8	71.9	(95)
EBITDA margin	24%	26%	

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

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

Century continues to demonstrate strong operating performance, achieving annual records in mining and processing in 2013. This was a direct result of asset utilisation and productivity improvement programs that commenced in 2012, aimed at maximising throughput, maintaining production volumes and reducing mining and processing input costs.

As mining progresses through the final stages of the open-pit mine, the average zinc grade of ore mined decreased from 11.9% in 2012 to 8.9% in 2013. Ore mined and milled was 33% and 31% higher respectively, substantially offsetting the lower grade, resulting in only a 5% decrease in total zinc production.

An increase in lead concentrate production of 153% was the result of reclaiming from storage dams. This in combination with increased lead mined grades of 1.0% to 1.4% resulted in a 128% increase in annual lead sales volumes compared to the previous year.

On a zinc equivalent basis, Century produced and sold more product in 2013 than in 2012.

Revenue decreased by US$31.9 million (4%) due to lower zinc sales volumes at a lower average realised price, partially offset by the increase in lead sales at a higher average realised price.

Production expenses decreased by US$17.1 million (4%) compared to 2012 despite the increase in mining and milling volumes. This decrease was the result of the successful execution of cost saving initiatives, as well as improved reliability and availability of both mobile and fixed plant equipment.

Century also processed 95,000 tonnes of Dugald River ore to produce 6,050 tonnes of zinc concentrate in 2013. The US$11.0 million cost associated with transporting and processing Dugald River ore into saleable concentrate is included in Century's processing cost.

Depreciation, amortisation and impairment expenses increased by US$52.0 million due to the record mining and milling activity and increased amortisation of deferred waste balances following the completion of Stage 9. The mining of Stage 9 commenced in 2010, however more than half of the ore was extracted in the first half of 2013.

Rosebery

Year ended 31 December	**2013**	**2012**	**Change**
			%
Production			
Ore mined (tonnes)	893,181	856,957	4
Ore milled (tonnes)	897,277	812,595	10
Copper in copper concentrate (tonnes)	1,852	1,587	17
Zinc in zinc concentrate (tonnes)	88,369	70,410	26
Lead in lead concentrate (tonnes)	24,865	20,146	23
Gold (ounces)	6,058	8,695	(30)
Silver (ounces)	3,623	5,152	(30)
Payable metal in product sold			
Copper (tonnes)	1,576	2,129	(26)
Zinc (tonnes)	75,611	62,283	21
Lead (tonnes)	23,786	22,282	7
Gold (ounces)	29,161	31,136	(6)
Silver (ounces)	2,392,054	2,356,691	2

Year ended 31 December	2013	2012	Change
	US$ million	*US$ million*	*%*
Revenue	253.3	267.5	(5)
Operating expenses			
Production expenses			
Mining	(93.8)	(92.6)	(1)
Processing	(31.6)	(32.1)	2
Other	(18.9)	(25.3)	25
Total production expenses	(144.3)	(150.0)	4
Freight (transportation)	(8.7)	(7.1)	(23)
Royalties	(11.2)	(9.3)	(20)
Other[(i)]	(9.2)	(16.4)	44
Total operating expenses	(173.4)	(182.8)	5
EBITDA[(ii)]	84.3	85.7	(2)
Depreciation, amortisation and impairment expenses	(25.9)	(26.5)	2
EBIT	58.4	59.2	(1)
EBITDA margin	33%	32%	

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

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

Rosebery reported a robust result in 2013, achieving annual production records, reducing costs and improving margins. Rosebery produced 88,369 tonnes of zinc in zinc concentrate in 2013, a 26% increase compared to 2012. This was achieved through consistent throughput and the benefits of optionality created from multiple ore sources.

Mining and milling volumes were 4% and 10% higher respectively than the previous year and the average grade of ore milled increased from 9.7% in 2012 to 11.1% in 2013.

Revenue decreased US$14.2 million (5%) compared to 2012. Higher zinc, lead and silver sales were offset by reduced copper and gold sales combined with lower average realised prices for all commodities with the exception of lead. The sale of zinc contributed 44% of Rosebery revenue in 2013.

Solid operational and financial discipline contributed to the year's positive results, with production expenses decreasing by US$5.6 million (4%) compared to 2012. The review of underground operations in 2012 led to a reduction in work performed by contractors at Rosebery, reducing costs by US$13.5 million in 2013. Mining costs relating to the use of consumables were US$7.2 million higher than 2012 due to improvements in ground support following the seismic event in 2012.

Golden Grove

Year ended 31 December	2013	2012	Change %
Production			
Ore mined (tonnes)	2,443,716	1,703,886	43
Ore milled (tonnes)	1,766,157	1,668,080	6
Copper in copper concentrate (tonnes)	33,780	28,406	19
Zinc in zinc concentrate (tonnes)	23,619	37,419	(37)
Lead in lead concentrate (HPM, tonnes)	2,382	5,344	(55)
Payable metal in product sold			
Copper (tonnes)	31,112	25,873	20
Zinc (tonnes)	15,307	37,575	(59)
Lead (tonnes)	4,148	4,705	(12)
Gold (ounces)	21,992	20,377	8
Silver (ounces)	1,093,199	1,190,267	(8)

Year ended 31 December	2013 *US$ million*	2012 *US$ million*	Change %
Revenue	294.0	392.9	(25)
Operating expenses			
Production expenses			
Mining	(105.7)	(149.4)	29
Processing	(56.5)	(69.7)	19
Other	(61.0)	(47.8)	(28)
Total production expenses	(223.2)	(266.9)	16
Freight (transportation)	(9.9)	(10.3)	5
Royalties	(12.3)	(16.8)	27
Other[(i)]	19.5	(30.3)	N/A
Total operating expenses	(225.9)	(324.3)	30
EBITDA[(ii)]	73.0	67.9	8
Depreciation, amortisation and impairment expenses	(62.8)	(32.1)	(96)
EBIT	10.2	35.8	(72)
EBITDA margin	25%	17%	

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

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

Golden Grove continued to focus on copper in 2013 with ore sourced from both the copper oxide open pit and from lower grade underground mining. Total copper production increased by 19% and zinc production decreased by 37% compared to 2012.

Total revenue decreased by US$98.9 million (25%) compared to 2012 despite a 20% increase in copper sales. Lower zinc, lead and silver sales volumes and lower average realised prices more than offset the higher copper sales volumes. The sale of copper contributed to 72% of Golden Grove revenue in 2013.

Golden Grove continues to focus on strategic cost reductions and optimising mine plan design to sustain long-term profitability. This focus was demonstrated through the US$43.7 million (16%) reduction in production expenses in 2013. Mining costs were US$43.7 million lower than 2012 despite a 43% increase in the quantity of ore mined due to lower costs of open pit mining compared to underground. In addition, cost savings in excess of US$20.0 million were realised following the strategic review of Golden Grove in 2012. The strategic review resulted in cost savings in relation to employee benefits, contractor costs and general administration costs.

Depreciation, amortisation and impairment expenses were US$30.7 million (96%) higher than in 2012 mainly due to higher volumes of ore mined and ore milled and the commissioning of the copper oxide open pit in 2012.

Cash flow analysis

Net cash flow

Net cash flow reflects stable operating cash flows and reduced investments in 2013 following the acquisition of Anvil in 2012.

Year ended 31 December	2013	2012 *(Restated)*
Operating cash flows	554.5	557.9
Investing cash flows	(660.6)	(2,067.1)
Financing cash flows	147.0	434.5
Net cash flow — increase/(decrease)	40.9	(1,074.7)

Net operating cash flows decreased by 1% to US$554.5 million in 2013 due to unfavourable working capital movements, partially offset by higher EBITDA and lower tax paid.

Net investing cash outflows were US$660.6 million in 2013 compared to US$2,067.1 million in 2012.

During 2013, the Group invested US$616.3 million in the purchase of property, plant and equipment and the development of software compared to US$661.4 million in 2012. This included US$257.0 million expenditure on major development projects (2012: US$260.2 million) and US$129.6 million (2012: US$171.2 million) investment in mine property and development.

Investment cash flows in 2012 also included US$1,360.5 million to acquire Anvil and US$28.5 million consideration received from the disposal of the trading, fabrication and other operations.

Capital expenditure on major projects **As at 31 December**	**2013**	**2012**	**Total to date**
	US$ million	*US$ million*	*US$ million*
Dugald River	240.3	223.6	528.7
Izok Corridor	16.7	36.6	53.3
Total	257.0	260.2	582.0

Net financing cash flows were an inflow of US$147.0 million in 2013 compared to an inflow of US$434.5 million in 2012.

Financing cash inflows in 2013 included the June 2013 drawdown of US$250.0 million under the US$1,000 million Dugald River facility agreed with Bank of China and China Development Bank, and US$338.0 million raised in August 2013 via the issuance of Convertible Redeemable Preference Shares. This was partially offset by repayments of borrowings and payment of interest and financing costs in line with contractual terms.

Financing cash inflows in 2012 included the successful refinancing of US$751.0 million borrowings for a term of five years and the drawdown of a further US$300.0 million pursuant to two 12-month working capital facilities (US$150.0 million each) agreed with each of Industrial and Commercial Bank of China Limited, Sydney Branch (ICBC), and Australia and New Zealand Banking Group Limited (ANZ).

Financial resources and liquidity

As at 31 December	**2013**	**2012**	**Change**
	US$ million	*US$ million* *(Restated)*	*US$ million*
Total assets	4,683.5	4,561.7	121.8
Total liabilities	2,866.7	2,973.4	(106.7)
Total equity	1,816.8	1,588.3	228.5

Total equity increased by US$228.5 million (post restatement) to US$1,816.8 million as at 31 December 2013 mainly reflecting the issuance of the Convertible Redeemable Preference Shares during 2013 and recognised profits for the year.

The Group monitors capital using a gearing ratio defined as net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity. The Group's gearing ratio was 0.45 as at 31 December 2013.

As at 31 December	**31 December 2013**	**31 December 2012**
	US$ million	*US$ million* *(Restated)*
Total borrowings (excluding prepayments)	1,644.2	1,645.5
Less: cash and cash equivalents	137.4	95.7
Net debt	1,506.8	1,549.8
Total equity	1,816.8	1,588.3
	3,323.6	3,138.1
Gearing ratio	0.45	0.49

The Group's cash and cash equivalents at 31 December 2013 of US$137.4 million (2012: US$95.7 million) were mainly denominated in US$.

As at 31 December 2013, the Group's borrowings (excluding finance charge prepayments) were as follows:

- 83.4% were bank borrowings, 4.6% were loans from related parties and 12.0% related to balances associated with convertible redeemable preference shares.
- 100% were denominated in US$.
- 88% were priced based on floating interest rates and 12% based on fixed interest rates.
- 21.4% were repayable within one year, 7.7% were repayable between one and two years, 50.8% were repayable between two and five years and 20.1% were repayable over five years.

The Group's capital commitments for purchases of property, plant and equipment and intangible assets as at 31 December 2013 were US$37.3 million (2012: US$69.3 million).

2013 Dividends

Given the Company performance in 2013 and in consideration of alternative uses of capital, the Board of MMG has recommended a dividend of 1.0 US cent per share for the year ended 31 December 2013. The record date for determining entitlement for the dividend is 29 May 2014. The dividend will be paid to shareholders on 6 June 2014.

2013 Annual Results and Dividend	
Full Year Results Announcement 11 March 2014 and Dividend Recommended	11 March 2014
Last day to trade cum dividend on HKSE and currency conversion into Hong Kong Dollar	22 May 2014
Ex-Dividend Date (the stock exchange of Hong Kong)	23 May 2014
Record Date (including currency conversion and currency election dates)	29 May 2014
Payment Date	6 June 2014

Development projects

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

Dugald River, Australia

The Dugald River project is one of the largest and highest-grade known undeveloped deposits of zinc, lead and silver in the world. Located in north-west Queensland, approximately 65 kilometres north-west of Cloncurry, the deposit is a Mineral Resource of 63 million tonnes at 12% zinc, 1.8% lead and 31g/t silver.

The deposit is being developed as an underground mine accessed by two declines (north and south). The underground mine development continued to advance ahead of schedule, with the two exploration declines in excess of 12,900 metres at the end of December 2013. All-weather access to the Dugald River site is in place, with construction village access and main access road infrastructure works substantially complete.

In 2013, MMG completed financing arrangements with the Bank of China and China Development Bank Corporation in relation to the project. During the year, MMG undertook additional geotechnical and geological test work to better understand the Dugald River ore body. The findings of this work prompted a review of the planned mining method, optimum production volumes and surface infrastructure requirements. The Board approved an additional A$57.0 million for a trial stoping program during 2014. The program will provide practical mining experience, enabling optimisation of the underground mine design. A change in project parameters arising from the 2014 work program could impact the future direction of the project.

A five-day metallurgical test of 95,000 tonnes of Dugald River ore on the Century processing circuit was conducted in early October 2013. The campaign produced 6,050 tonnes of zinc in concentrate, containing an average of 50.8% zinc, 1.6% lead and 1.6% manganese. Processing Dugald River ore using existing infrastructure at Century remains a future option for the project.

MMG will not achieve the previously announced schedule of first concentrate shipment in late 2015. The trial stoping program will provide greater certainty on the future direction of the project including project schedule, mining and processing methods, and capital and operating costs.

Izok Corridor, Canada

The Izok Corridor project includes the Izok and High Lake deposits located in the Slave Geological Province in Nunavut, northern Canada. Izok is a large deposit with a Mineral Resource of 15 million tonnes at 13% zinc and 2.3% copper. The High Lake deposit, located north of Izok, has a Mineral Resource of 14 million tonnes at 3.8% zinc and 2.5% copper. MMG also holds other base metal deposits in the region and exploration tenements totalling 5,000 square kilometres.

During 2013, the evaluations of the Izok and High Lake base metal deposits continued. The geological resource models for Izok and High Lake were updated and metallurgical testing was completed during the first half of 2013. A number of value engineering opportunities were identified during the year, including the bulk modularisation of process plant and infrastructure. These evaluations are indicating potential capital savings compared with previous scenarios.

Along with engineering effort, the exploration program will continue to focus on identifying additional mineral resources in the Izok Corridor. New mineral resource targets have been identified along the project development corridor with an exploration program planned for 2014.

Total capital expenditure for the Izok Corridor project in 2013 totalled US$16.7 million, taking the capital expenditure to date on the Izok Corridor project to US$53.3 million.

Contracts and commitments

Sepon

As part of its transition to an owner-miner operation, agreements were entered into for the supply of equipment, including tyres, lighting towers and drill rigs, some of which were purchased under the Global Sourcing program. An agreement was entered into for the upgrade of the current Sepon Airstrip which is a key milestone in the progression of Sepon's broader aviation strategy aimed at reducing cost, reducing flight times and minimising Sepon's aviation risk. The project was completed in the fourth quarter of 2013 and is now undergoing certification from the Lao Department of Civil Aviation.

Kinsevere

An agreement was entered into for the provision of temporary power generation services to ensure security of power supply due to significant issues with availability and reliability of grid power supply in the DRC.

Century

MMG Century Limited entered into agreements for the supply of key commodities, sodium isopropyl xanthate and copper sulphate to the Century, Rosebery and Golden Grove mine sites. An agreement was also entered into for the provision of inbound logistics services for both Dugald River and Century to enhance synergies.

Rosebery

MMG Australia Limited, a subsidiary of the Company, entered into agreements in relation to underground mine development services, rising mains and levels rehabilitation works at the Rosebery mine site. The provision of drilling services was transitioned to a new supplier who was also awarded drilling services at Golden Grove, under a competitive tender in 2013.

Golden Grove

MMG Golden Grove Pty Ltd, a subsidiary of the Company, entered into an agreement for the transport of concentrate from the Golden Grove mine site to the Port of Geraldton, the management of the port warehouse and ship-loading services. The agreement for fly-in fly-out services to the Golden Grove mine site was also extended following a competitive process.

Dugald River

Contracts were awarded for the design and construction of the construction camp, permanent village accommodation as well as the construction of the main site access road and permanent water supply pipeline. Gas and electricity supply agreements were also finalised. Pre-commitment activities continued including engineering design and the tendering of infrastructure-related contracts.

Other

A Group-wide agreement was entered into for the provision of laboratory testing services for all MMG's exploration, projects and operational sites to provide a consistency of testing services to determine the grade of drilled and mined material in support of current and future mine definition and progress.

People

As at 31 December 2013, the Group employed a total of 4,897 full-time equivalent employees (2012: 4,979) in its operations (excluding contractors, casual employees, apprentices and trainees) with the majority of employees based in Australia, Laos and the DRC.

Total employee benefits expenses for the Group's operations for the 12 months ended 31 December 2013, including directors' emoluments, totalled US$430.8 million, an increase of 3% (2012: US$418.8 million).

The Group has remuneration policies that align with market practice and remunerates its employees based on the responsibilities of their role, their performance, market requirements and the performance of the 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.

Material acquisitions and disposals

Acquisition of Anvil

The Group acquired Anvil in February 2012, a company incorporated in Canada with its common shares listed on the Toronto Stock Exchange, for an aggregate consideration of US$1,360.5 million. The key asset of Anvil was the Kinsevere mine, an open-pit copper mine located in the Katanga Province of the DRC.

The Group did not make any material acquisitions or disposals in the year ended 31 December 2013.

Events after the reporting date

Other than the matters outlined elsewhere 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 capital 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, liquidity risk, equities price risk and sovereign risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not and is prohibited to enter into derivative contracts for speculative purposes.

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

The Group currently holds no hedging instruments.

(a) *Commodity price risk*

The Group is exposed to commodity price volatility on commodity sales made by its operations. This arises from the sale of metal and metal in concentrate products such as zinc, copper, lead, gold and silver, which are priced on, or benchmarked to, open market exchanges. The Group generally believes commodity price hedging would not provide long-term benefit to its Shareholders. There are no commodity hedges in place as at 31 December 2013.

(b) *Interest rate risk*

The Group is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group regularly monitors its interest rate risk to ensure there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed at the inception of each floating rate debt facility in light of the overall Group's exposure, the prevailing interest rate market and any funding counterparty requirements. Monthly reporting is provided to the Executive Committee, which summarises the Group's debt and interest rates.

(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 the United States dollars (US$). The majority of revenue received by the Group is in US$. The Group's foreign currency exchange risk arises predominantly from the currency in which the Group's operations are located.

The Group is exposed to foreign exchange risk primarily with respect to Australian dollars (A$), Hong Kong dollars (HK$) and Canadian dollars (C$). Given the exchange rate peg between HK$ and US$, it is not foreseen that the Group will be exposed to significant exchange rate risk for the transactions conducted in HK$ or US$. However, exchange rate fluctuations of C$ or A$ against US$ could affect the Group's performance and asset value. The A$ is the most important currency influencing costs.

Under normal market conditions, the Group does not believe that active currency hedging of transactions would provide long-term benefit to Shareholders. The Group tries to minimise these exposures through natural hedges wherever possible. For instance, the majority of external debt and surplus cash is denominated in US$. A portion of cash may be held in A$ to meet operating costs.

The long-term relationship between commodity prices and the currencies of the countries where the Group operates provides a degree of natural protection. The Group may, however, choose to hedge large foreign currency exposures such as capital expenditure, dividends or tax payments.

(d) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. At the reporting date, the carrying amount of the Group's financial assets, including cash and cash equivalents, trade and other receivables and other bank deposits, represents the maximum credit exposure.

The credit risk on investments in cash, short-term deposits and similar assets is with approved counterparty banks and the intermediate holding company. Counterparties are assessed prior to, during and after the conclusion of transactions to ensure exposure to credit risk is limited to acceptable levels. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure.

(e) *Liquidity risk*

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

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

(f) *Equities price risk*

Equity securities price risk arising from investments held by the Group are classified in the balance sheet as available-for-sale and other financial assets. The majority of the Group's equity investments are publicly traded. The Group did not have significant equity securities exposed to price risk as at 31 December 2013.

(g) *Sovereign risk*

The Group has operations in developing countries that may carry higher levels of sovereign risk. In general, however, mining companies are increasingly willing to develop or acquire projects in locations that would traditionally have been viewed as having higher sovereign risk.

Contingent liabilities

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

Additionally, certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company. These are primarily associated with the terms of mining leases or exploration licences. As at 31 December 2013 no claims had been made under these guarantees.

Charges on assets

As at 31 December 2013 the following banking facilities granted to the Group required certain assets to be charged:

- the US$751.0 million facility granted by China Development Bank Corporation (CDB) and Bank of China Sydney Branch (BOC Sydney) to Album Resources Private Limited (Album Resources) and MMG Management Pty Ltd (MMG Management) dated 12 June 2012 (US$751.0 million Facility), with respect to a borrowing of US$713.4 million;

- the US$200.0 million facility granted by CDB to Album Resources dated 12 June 2009 (US$200.0 million Facility), with respect to a borrowing of US$150.0 million;

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

- the US$1,000 million facility granted by CDB and BOC Sydney to MMG Dugald River Pty Ltd (MMG Dugald River) dated 27 June 2013 (US$1.0 billion Facility), with respect to a borrowing of US$250.0 million.

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

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

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

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

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

The charges in place for the US$1,000 million Facility are the same as those existing in respect of the US$751.0 million Facility. In addition, certain subsidiaries of the Company that relate to the Dugald River project have provided asset security in respect of their assets. Following successful commissioning of the Dugald River project, and subject to meeting certain agreed conditions, the financing will be limited recourse to the assets and shares of MMG Dugald River.

Future prospects

MMG expects to produce 173,000-186,000 tonnes of copper and 600,000-625,000 tonnes of zinc in 2014.