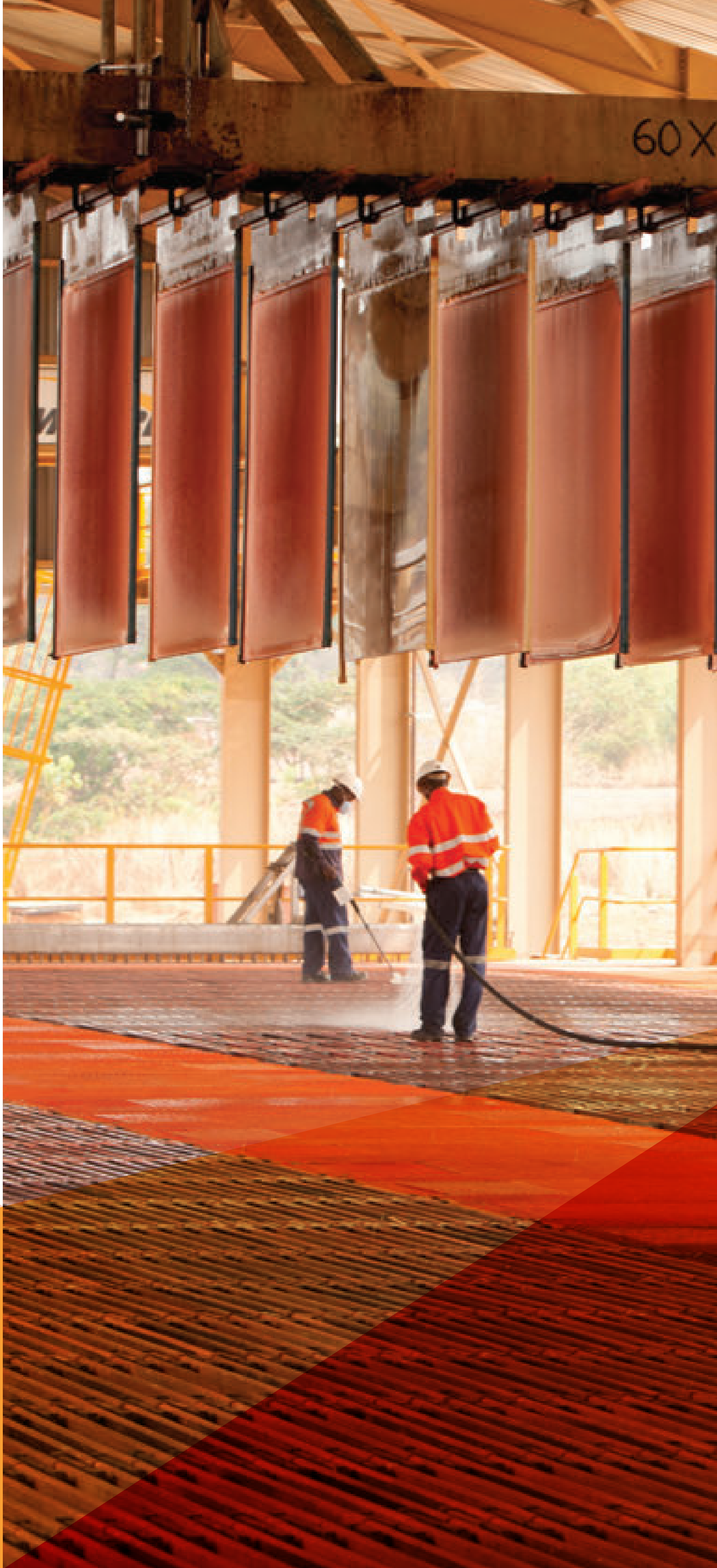
ANNUAL REPORT 2016

HKEX: 1208
ASX: MMG

MMG WE MINE FOR PROGRESS



Cover: Local employee from the Province of Cotabambas pictured at the Las Bambas concentrator plant.

At MMG we mine for progress.

Our vision is to build the world's most respected diversified base metals company. A long-term outlook, our pride in mining, our commitment to international standards and our respect for people, land and culture underpin our success.

CHAIRMAN'S REVIEW

The appointment of former Chairman Mr Jerry Jiao as the new CEO demonstrates the Board's strong desire to ensure the continuity of MMG's unique and successful business model.

Dear Shareholder

I would like to extend my heartfelt thanks to shareholders for their support of MMG.

On behalf of the Board, I present the Company's 2016 annual report to shareholders.

MANAGEMENT AND BOARD CHANGES

In February 2017 we announced the appointment of a new Chief Executive Officer, changes to the Board of Directors and I was appointed Chairman. The appointment of former Chairman Mr Jerry Jiao as the new CEO demonstrates the Board's strong desire to ensure the continuity of MMG's unique and successful business model. Mr Shuqiang Zhang, currently the General Manager of the Finance Department of China Minmetals Corporation, was also appointed to the Board. These appointments highlight the continuing and increasing importance of MMG to major shareholder China Minmetals Corporation (CMC). We have a stronger and more complementary mix of skills on the Board and I feel a weight of responsibility and commitment to deliver to all shareholders. I express my full support and great confidence in Mr Jerry Jiao and my heartfelt thanks to former CEO Mr Andrew Michelmore for his significant contribution to MMG.

OUR PERFORMANCE

While 2016 was a year of challenges for commodities, the price for copper and zinc started to improve by year's end. More importantly the Company has become a leading international mining company with strong support from its major shareholder. The Company actively optimised its portfolio, improved its operational efficiencies, and set the stage for greater, more rapid growth, with its international operational experience, high-quality assets, diversity of customers and outstanding people achieving the promises made to the market and shareholders.

The achievement of commercial production at Las Bambas in July and a focus on cost reductions across the organisation contributed to revenue growth, which was 28% higher at US$2,489 million. Earnings before tax, depreciation, amortisation and impairment (EBITDA) were 126% higher at US$949 million. Total copper sale volumes were 139% higher than in 2015 due to the contribution of Las Bambas and continued strong production at Kinsevere. Primary copper production exceeded 500,000 tonnes, the largest for Asia. This result was impacted by lower production at Sepon as well as Golden Grove, where we implemented a strategic throughput reduction.

During the past year we were focused on actively advancing our major project at Las Bambas. Las Bambas was successfully constructed and ramped up on schedule and budget, with commercial production reached in July. While we have experienced some community disruptions along our logistics corridor, we have optimised the operation and are focused on building on strong relationships with government and communities along the transportation corridor. We continue to be committed to social development and active dialogue with the communities in which we operate.

Top left:
Packing copper cathodes at Kinsevere.

Top right:
Construction of the plant is underway at Dugald River.

Bottom:
MMG's Chairman, Mr Guo Wenqing.

As part of our portfolio management strategy, in December we entered into a conditional share sale agreement with EMR Golden Grove Holdings Pty Ltd, an entity owned by EMR Capital, for the purchase of MMG Golden Grove Ltd for US$210 million. Golden Grove has strongly contributed to MMG while part of the broader Australian operations portfolio and the site is now in the hands of an experienced operator with strong ties to the mining industry in Western Australia.

In November, we launched a Rights Issue to raise over US$500 million. The offer was significantly oversubscribed by approximately 6.5 times, when including excess applications, demonstrating investor confidence in being part of MMG's continuing success. The proceeds raised will be used to strengthen our balance sheet and fund the development of the Dugald River project.

STRENGTHENING POSITION OF THE MAJOR SHAREHOLDER, CHINA MINMETALS CORPORATION

There have also been some important changes within the Company's major shareholder during 2016, following a strategic merger with China Metallurgical Group. The larger group, a combination of two Fortune 500 companies, aims to become a Chinese leader and world class metals mining group. MMG's role as China Minmetals Corporation's flagship platform for overseas development is increasingly important. The major shareholder will continue to fully support the Company as it continues to strengthen and grow rapidly to a leading position in the global mining industry.

COMMITMENT TO STRATEGY

Metal prices have stabilised into 2017 and we are seeing positive signs from the market. This year the Company will continue to focus on safety, volume and cost, including seeking further operating efficiencies across the business and delivering the Dugald River project on schedule. Your board is confident in the future and committed to continued Company growth.

I look forward to leading the Board and supporting the MMG team to find new growth opportunities as we mine for progress and seek to deliver superior returns for all of our Shareholders. We remain committed to our objective of being valued as one of the world's top mid-tier miners by 2020.

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

GUO Wenqing
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholder,

At MMG, one of our values is 'We do what we say' and 2016 has been a year of delivering on our promises. We successfully completed, commissioned and ramped up one of the wold's largest copper mines, Las Bambas. We also started construction of the Dugald River Project which is expected to be a global top 10 zinc mine when in production.

Following the announcement of Andrew Michelmore's resignation as CEO and Executive Director on 15 February 2017, I am excited to accept the offer to become MMG's next Chief Executive Officer. I am also pleased that Andrew will continue with MMG through to 1 July this year to provide ongoing advice and assist in the leadership transition.

I offer my personal thanks to Andrew for his faith in pursuing our shared vision from the time we met in 2009 when we first discussed establishing MMG. Our strategy has not changed. Our unique model of international experience backed by a major Chinese shareholder remains key to our future growth.

SAFETY

Key to our culture is safety, it is our first value. While we have made significant progress in reducing our total recordable injury frequency (TRIF) tragically in 2016 two of our colleagues lost their lives in separate accidents at Las Bambas.

In July Felipe Leon Chavez, who was employed through our logistics contractor Transaltisa died following a road incident in Peru's Cotabambas province. In December Henri Aldana Chanca who was employed through our contractor Serpetbol was fatally injured by an uncontrolled release of water under pressure while working in the tailings thickener area of the concentrator plant. The thoughts of everyone at MMG are with their families, friends and all those who knew and miss them.

Both accidents serve as a reminder that we must continue to hold safety above all other objectives and priorities. These sad events overshadowed a year in which we saw strong reductions in our injury rates across the organisation. MMG operations ended 2016 with a TRIF of 1.90 for the full year which represents an average 9.6% year-on-year reduction in injury rates since the end of 2012. The lost time injury frequency was 0.52 for the full year 2016.

VOLUME

2016 was a milestone year for our Company. We completed construction of Las Bambas and started commercial production following an industry-leading ramp up. Across MMG we produced 503,510 tonnes of copper exceeding our guidance range of 415,000 to 477,000 tonnes for the year. This result was predominantly driven by the strong production at Las Bambas.

Las Bambas' progress towards steady state production has been remarkable and it has already delivered two consecutive quarters of production above design capacity. The operation produced 330,227 tonnes of copper in copper concentrate in 2016 significantly exceeding its guidance range of 250,000–300,000 tonnes. The challenges associated with the ramp-up of an asset of this scale were exceptionally well managed.

In 2016 MMG's production profile continued to shift from zinc to copper following the end of mining and processing at Century and the commissioning of Las Bambas in the first half. Zinc production at 119,575 tonnes was slightly below our guidance range of 120,000–135,000 tonnes.

We are committed to growing our zinc exposure at a time of declining global supply. In June we confirmed our support for the Dugald River Project. The construction of Dugald River remains on target with almost half of the project now completed. Production of first concentrate is expected in the first half of 2018.

COSTS

Ongoing volatility and softer demand for our key commodities for much of 2016 continued to challenge our earnings. Throughout the year we placed significant focus on reducing costs and driving efficiencies by extracting more value from our assets.

With Las Bambas commencing commercial production at the

Top left: (L-R) Mr Jerry Jiao and Chairman, Mr Guo Wenqing with Juliano Villanueva, Operations Vice President at Las Bambas.

Top right: (L-R) Mr Jerry Jiao with former Chief Executive Officer, Mr Andrew Michelmore.

Bottom: Chief Executive Officer, Mr Jerry Jiao.

beginning of the third quarter we saw a strong improvement in operating profitability between the first and second half of the reporting year. We achieved an annual net operating cash flow of US$722.3 million which includes US$664.6 million generated during the second half of 2016.

Across all operations and the corporate office we have implemented cost reduction initiatives. A focus on strategic cost reductions in our Australian Operations portfolio yielded a 17% reduction in operating costs when compared to same reporting period in 2015. Similarly, Kinsevere and Sepon operations achieved strong efficiency improvements and reductions in overall operating expenses. At Kinsevere we focused on extracting value from the MMG Operating Model by implementing Shared Business Services delivering savings in contractor and employee costs. At Sepon, a disciplined approach to cost management enabled us to maintain steady total operating costs despite the 61% increase in ore mined due to lower grade ore. We continue to focus on improving our asset utilisation and maximising efficiencies throughout MMG.

CEO SUCCESSION AND STRATEGY

After eight years at the helm of MMG Limited, Andrew Michelmore has handed over a business in very good health. He has set the platform for future growth and continued success and established a culture with safety at its core.

Andrew has led MMG from its beginnings as Minerals and Metals Group in 2009, public listing as Minmetals Resources Limited, rebranding as MMG, as well as the acquisitions of Kinsevere and Las Bambas. The Board, management and MMG team thank him for his inspirational and tireless leadership. I offer my personal thanks to Andrew for his faith in pursuing our shared vision from the time we met in 2009 when we first discussed establishing MMG and his significant contribution to ensuring our success.

Our strategy has not changed. MMG is increasingly important to China Minmetals and our unique model of international experience backed by a major Chinese shareholder is key to our growth.

The Board, together with the Executive Committee and Management, will continue to drive the ongoing success of our business.

Thank you to all our Shareholders, communities, and our people for your ongoing support. We look forward to a prosperous 2017 as we continue to mine for progress.

Jerry Jiao
Chief Executive Officer

BOARD OF DIRECTORS


1


2


3


4


5


6


7


8


9

1 **Mr GUO Wenqing**
Chairman

2 **Mr Jerry (Jian) JIAO**
Chief Executive Officer

3 **Mr XU Jiqing**
Executive Director

4 **Mr GAO Xiaoyu**
Non-executive Director

5 **Mr ZHANG Shuqiang**
Non-executive Director

6 **Dr Peter CASSIDY**
Independent
Non-executive Director

7 **Mr LEUNG Cheuk Yan**
Independent
Non-Executive Director

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

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

EXECUTIVE COMMITTEE

(Left to right)

1 **Mr Troy HEY**
Executive General Manager
– Stakeholder Relations

2 **Mr XU Jiqing**
Executive General Manager
– China and Strategy

3 **Mr Marcelo BASTOS**
Chief Operating Officer

4 **Mr Jerry (Jian) JIAO**
Chief Executive Officer

5 **Mr Ross CARROLL**
Chief Financial Officer

6 **Mr Greg TRAVERS**
Executive General Manager
– Business Support

RESOURCES AND RESERVES

EXECUTIVE SUMMARY

Mineral Resources and Ore Reserves for MMG have been estimated as at 30 June 2016, and are reported in accordance with the guidelines in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code) and Chapter 18 of the Listing Rules. Mineral Resources and Ore Reserves tables are provided on pages 8 to 18, which include the 30 June 2016 and 2015 estimates for comparison. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources that convert to Ore Reserves. All supporting data is provided within the Technical Appendix, available on the MMG website.

Mineral Resources and Ore Reserves information in this statement has been compiled by Competent Persons (as defined by the 2012 JORC Code). Each Competent Person consents to the inclusion of the information in this report that they have provided in the form and context in which it appears. Competent Persons are listed on page 14.

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

Key changes to the Mineral Resources (contained metal) since the 30 June 2015 estimate include an increase in molybdenum, no change for gold and nickel, and reductions in copper, zinc, lead and silver. Metal reductions are mostly due to depletion[1], cut-off grade changes and drilling results at MMG's operations that have been partly offset by Mineral Resources additions, especially at Las Bambas.

The MMG Ore Reserves (contained metal) have increased since the 30 June 2015 statement for copper, molybdenum and silver principally due to increases at Las Bambas along with additions at Kinsevere. Decreases in Ore Reserves contained metal for lead, zinc and gold are mostly the result of depletion at Century, Golden Grove and Rosebery.

Tonnes of Mineral Resources and Ore Reserves have increased in total, more than replacing depletion. Las Bambas Mineral Resources and Ore Reserves have increased by 117Mt and 7Mt respectively.

Page 15 provides further discussion of the Mineral Resources and Ore Reserves changes.

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

MINERAL RESOURCES[2]

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

	2016							2015						
DEPOSIT	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
LAS BAMBAS (62.5%)														
Ferrobamba Oxide Copper														
Indicated	16.8	2.0						21.3	1.9					
Inferred	0.7	1.9						5.7	1.7					
Total	**17.4**	**2.0**						**27.0**	**1.8**					
Ferrobamba Primary Copper														
Measured	529	0.68			3.3	0.06	198	388	0.76			3.7	0.07	204
Indicated	527	0.59			2.7	0.05	191	490	0.65			2.9	0.05	209
Inferred	397	0.57			2.1	0.03	146	452	0.56			2.2	0.03	148
Total	**1,453**	**0.62**			**2.7**	**0.05**	**181**	**1,330**	**0.65**			**2.9**	**0.05**	**187**
Ferrobamba Total	**1,471**							**1,357**						
Chalcobamba Oxide Copper														
Indicated	6.5	1.5						5.9	1.4					
Inferred	0.9	1.5						0.5	1.5					
Total	**7.3**	**1.5**						**6.4**	**1.4**					
Chalcobamba Primary Copper														
Measured	94	0.40			1.2	0.01	148	96	0.4			1.3	0.02	151
Indicated	196	0.63			2.4	0.03	145	190	0.6			2.3	0.03	138
Inferred	48	0.47			1.6	0.02	131	41	0.5			1.5	0.02	122
Total	**338**	**0.55**			**1.9**	**0.02**	**144**	**327**	**0.5**			**1.9**	**0.02**	**140**
Chalcobamba Total	**345**							**334**						
Sulfobamba Oxide Copper														
Inferred								0.02	2.8					
Total								**0.02**	**2.8**					
Sulfobamba Primary Copper														
Indicated	103	0.60			4.1	0.02	162	102	0.6			4.4	0.02	164
Inferred	201	0.44			4.0	0.02	119	214	0.5			4.2	0.02	117
Total	**304**	**0.50**			**4.0**	**0.02**	**133**	**315**	**0.5**			**4.3**	**0.02**	**132**
Sulfobamba Total	**304**							**315**						
Oxide Copper Stockpile														
Indicated	3.4	0.86												
Total	**3.4**	**0.86**												
Sulphide Stockpile														
Measured	0.37	0.72			3.1		214							
Total	**0.37**	**0.72**			**3.1**		**214**							
Las Bambas Total	**2,124**							**2,007**						

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

DEPOSIT	2016 TONNES (MT)	2016 CU (%)	2016 ZN (%)	2016 PB (%)	2016 AG (G/T)	2016 AU (G/T)	2016 MO (PPM)	2015 TONNES (MT)	2015 CU (%)	2015 ZN (%)	2015 PB (%)	2015 AG (G/T)	2015 AU (G/T)	2015 MO (PPM)
KINSEVERE (100%)														
Oxide Copper														
Measured	3.1	4.6						3.7	4.5					
Indicated	13.7	3.1						11.9	3.4					
Inferred	3.5	2.4						4.2	3.3					
Total	**20.3**	**3.2**						**19.8**	**3.6**					
Transition Mixed Copper Ore														
Measured	0.7	3.4												
Indicated	2.0	3.0												
Inferred	0.2	2.2												
Total	**2.9**	**3.0**												
Primary Copper														
Measured	0.4	3.1						1.6	3.2					
Indicated	18.5	2.6						10.9	2.2					
Inferred	2.2	2.0						14.6	2.4					
Total	**21.2**	**2.5**						**27.1**	**2.3**					
Stockpiles														
Measured								6.4	2.3					
Indicated	6.8	2.4												
Total	**6.8**	**2.4**						**6.4**	**2.3**					
Kinsevere Total	**51.2**							**53.3**						
SEPON (90%)														
Oxide Gold														
Indicated	1.6					3.0		1.1					3.0	
Inferred	0.4					2.1		0.2					2.1	
Total	**2.0**					**2.8**		**1.2**					**2.9**	
Partial Oxide Gold														
Indicated	1.3					4.2		0.6					5.4	
Inferred	0.1					2.9		0.01					4.1	
Total	**1.3**					**4.1**		**0.6**					**5.4**	
Primary Gold														
Indicated	7.8					4.0		7.5					3.4	
Inferred	0.1					3.5		0.3					2.5	
Total	**7.9**					**4.0**		**7.8**					**3.4**	
Supergene Copper														
Indicated	12.9	3.5						13.4	3.3					
Inferred	0.3	3.5						1.0	2.5					
Total	**13.3**	**3.5**						**14.4**	**3.2**					
Primary Copper														
Indicated	5.0	1.2						7.6	1.0					
Inferred	3.3	1.1						3.8	1.5					
Total	**8.4**	**1.2**						**11.4**	**1.1**					

MINERAL RESOURCES

DEPOSIT	2016 TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	2015 TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
SEPON (90%) continued														
Copper Stockpiles														
Measured								5.9	2.1					
Indicated	5.7	1.6												
Total	**5.7**	**1.6**						**5.9**	**2.1**					
Sepon Total	**38.6**							**41.4**						
DUGALD RIVER (100%)														
Primary Zinc														
Measured	5.5		14.2	2.0	64			5.7		14.5	2.0	63		
Indicated	27.1		12.9	2.2	50			25.9		13.3	2.2	51		
Inferred	28.5		12.0	1.7	13			25.7		12.7	1.8	13		
Total	**61.1**		**12.6**	**1.9**	**34**			**57.3**		**13.2**	**2.0**	**35**		
Primary Copper														
Inferred	4.4	1.8				0.2		4.4	1.8				0.2	
Total	**4.4**	**1.8**				**0.2**		**4.4**	**1.8**				**0.2**	
Dugald River Total	**66.0**							**61.7**						
GOLDEN GROVE (100%)														
Oxide Gold														
Indicated	0.7				61	3.2		0.6				89	3.2	
Inferred	0.01					1.5		0.04				55	2.8	
Total	**0.7**				**60**	**3.1**		**0.6**				**87**	**3.2**	
Partial Oxide Gold														
Indicated	0.01				115	5.1		0.1				130	2.6	
Inferred								0.01				71	2.0	
Total	**0.01**				**115**	**5.1**		**0.1**				**123**	**2.5**	
Primary Gold														
Indicated								0.1				54	2.2	
Inferred								0.01				49	2.1	
Total								**0.1**				**53**	**2.2**	
Primary Zinc														
Measured	1.8	0.52	14.7	1.8	109	2.8		2.7	0.54	11.3	1.3	89	1.7	
Indicated	1.8	0.57	14.4	1.5	96	1.8		2.0	0.33	11.0	1.5	108	1.5	
Inferred	4.3	0.27	14.7	0.7	50	0.6		3.7	0.45	13.7	0.5	40	0.6	
Total	**7.9**	**0.39**	**14.6**	**1.1**	**74**	**1.4**		**8.4**	**0.45**	**12.3**	**1.0**	**72**	**1.1**	
Partial Oxide Copper														
Indicated								0.3	2.2					
Inferred								0.004	2.1					
Total								**0.3**	**2.2**					
Primary Copper														
Measured	3.1	3.7			22	0.8		6.2	2.9			33	1.3	
Indicated	2.6	4.1			31	1.0		2.0	2.8			29	1.2	
Inferred	3.5	3.7			26	0.5		8.4	3.3			26	0.2	
Total	**9.2**	**3.8**			**26**	**0.8**		**16.7**	**3.1**			**29**	**0.7**	
Golden Grove Total	**17.8**							**26.2**						

DEPOSIT	2016							2015						
	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	NI (%)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	NI (%)
ROSEBERY (100%)														
Rosebery														
Measured	5.4	0.25	8.1	2.9	107	1.3		9.0	0.25	8.6	2.8	96	1.2	
Indicated	5.7	0.25	7.6	2.6	102	1.2		6.4	0.25	7.3	2.5	103	1.1	
Inferred	11.2	0.26	8.0	2.7	95	1.4		7.0	0.29	7.4	2.8	96	1.4	
Total	**22.3**	**0.26**	**7.9**	**2.7**	**100**	**1.3**		**22.4**	**0.26**	**7.9**	**2.7**	**98**	**1.2**	
South Hercules														
Measured								0.1	0.15	4.6	2.5	151	3.8	
Indicated								0.02	0.13	3.7	1.8	161	4.3	
Total								**0.2**	**0.15**	**4.5**	**2.4**	**152**	**3.9**	
Rosebery Total	**22.3**							**22.6**						
CENTURY (100%)														
Century Pit														
Indicated								0.7		9.7	1.4	36		
Total								**0.7**		**9.7**	**1.4**	**36**		
Stockpiles														
Measured								1.9		6.1	1.7	42		
Total								**1.9**		**6.1**	**1.7**	**42**		
Century Total								**2.6**						
HIGH LAKE (100%)														
Measured														
Indicated	7.9	3.0	3.5	0.3	83	1.3		7.9	3.0	3.5	0.3	83	1.3	
Inferred	6.0	1.8	4.3	0.4	84	1.3		6.0	1.8	4.3	0.4	84	1.3	
Total	**14.0**	**2.5**	**3.8**	**0.4**	**84**	**1.3**		**14.0**	**2.5**	**3.8**	**0.4**	**84**	**1.3**	
High Lake Total	**14.0**							**14.0**						
IZOK LAKE (100%)														
Measured														
Indicated	13.5	2.4	13.3	1.4	73	0.2		13.5	2.4	13.3	1.4	73	0.2	
Inferred	1.2	1.5	10.5	1.3	73	0.2		1.2	1.5	10.5	1.3	73	0.2	
Total	**14.6**	**2.3**	**13.1**	**1.4**	**73**	**0.2**		**14.6**	**2.3**	**13.1**	**1.4**	**73**	**0.2**	
Izok Lake Total	**14.6**							**14.6**						
AVEBURY (100%)														
Measured	3.8						1.1	3.8						1.1
Indicated	4.9						0.9	4.9						0.9
Inferred	20.7						0.8	20.7						0.8
Total	**29.3**						**0.9**	**29.3**						**0.9**
Avebury Total	**29.3**							**29.3**						

ORE RESERVES[3]

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

DEPOSIT	2016							2015						
	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
LAS BAMBAS (62.5%)														
Ferrobamba Primary Copper														
Proved	492	0.71			3.4	0.07	201	424	0.71			3.4	0.08	187
Probable	340	0.71			3.5	0.06	202	360	0.64			2.8	0.06	187
Total	**832**	**0.71**			**3.5**	**0.06**	**201**	**784**	**0.68**			**3.2**	**0.07**	**187**
Chalcobamba Primary Copper														
Proved	53	0.51			1.7	0.02	151	77	0.46			1.5	0.02	155
Probable	136	0.75			2.8	0.03	135	150	0.70			2.6	0.03	137
Total	**188**	**0.68**			**2.5**	**0.03**	**140**	**227**	**0.62**			**2.2**	**0.03**	**143**
Sulfobamba Primary Copper														
Probable	66	0.78			5.5	0.03	176	68	0.76			5.5	0.03	176
Total	**66**	**0.78**			**5.5**	**0.03**	**176**	**68**	**0.76**			**5.5**	**0.03**	**176**
Sulphide Stockpile														
Proved	0.37	0.72			3.1		214							
Total	**0.37**	**0.72**			**3.1**		**214**							
Las Bambas Total	**1,086**							**1,079**						
KINSEVERE (100%)														
Oxide Copper														
Proved	2.9	4.5						2.9	4.7					
Probable	9.8	3.5						6.6	3.9					
Total	**12.7**	**3.7**						**9.4**	**4.1**					
Oxide Copper Stockpiles														
Proved								1.4	3.7					
Probable	4.9	2.2						3.4	1.4					
Total	**4.9**	**2.2**						**4.8**	**2.1**					
Kinsevere Total	**17.6**							**14.3**						
SEPON (90%)														
Supergene Copper														
Probable	8.0	3.5						8.3	3.6					
Total	**8.0**	**3.5**						**8.3**	**3.6**					
Primary Copper														
Probable	2.3	0.8						2.9	1.1					
Total	**2.3**	**0.8**						**2.9**	**1.1**					
Copper Stockpiles														
Proved								5.7	2.1					
Probable	4.6	1.7												
Total	**4.6**	**1.7**						**5.7**	**2.1**					
Sepon Total	**14.9**							**16.9**						

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

DEPOSIT	2016 TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	2015 TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
DUGALD RIVER (100%)														
Primary Zinc														
Proved	4.6		12.3	1.7	55			0.5		15.5	1.4	38		
Probable	17.8		12.1	2.0	48			22.1		12.3	2.0	50		
Dugald River Total	**22.5**							**22.5**						
GOLDEN GROVE (100%)														
Primary Zinc														
Proved	1.0	0.72	12.1	1.7	97	3.4		1.1	0.54	12.0	1.6	103	3.2	
Probable	0.8	0.86	11.6	1.3	98	2.3		0.9	0.26	11.1	1.9	148	1.4	
Total	**1.9**	**0.78**	**11.8**	**1.5**	**98**	**2.9**		**2.0**	**0.41**	**11.6**	**1.7**	**123**	**2.4**	
Partial Oxide Copper														
Proved								0.1	2.8					
Probable								0.2	2.1					
Total								**0.3**	**2.3**					
Primary Copper														
Proved	1.3	3.5			21	1.1		1.8	3.1			24	1.3	
Probable	0.7	3.1			26	1.6		1.0	2.7			31	2.2	
Total	**2.0**	**3.4**			**22**	**1.2**		**2.7**	**2.9**			**27**	**1.6**	
Oxide Gold														
Probable	0.2				56	2.6								
Total	**0.2**				**56**	**2.6**								
Golden Grove Total	**4.1**							**5.1**						
ROSEBERY (100%)														
Proved	3.2	0.25	8.8	3.1	110	1.3		4.8	0.25	8.3	2.6	85	1.0	
Probable	2.2	0.22	7.5	3.0	118	1.3		2.6	0.18	6.0	2.4	100	1.0	
Rosebery Total	**5.4**							**7.4**						
CENTURY (100%)														
Proved								1.9		6.1	1.7	42		
Probable								0.7		8.7	1.1	34		
Century Total								**2.7**						

COMPETENT PERSONS

DEPOSIT	ACCOUNTABILITY	COMPETENT PERSON	PROFESSIONAL MEMBERSHIP	EMPLOYER
MMG Mineral Resources and Ore Reserves Committee	Mineral Resources	Jared Broome[1]	FAusIMM(CP)	MMG
MMG Mineral Resources and Ore Reserves Committee	Ore Reserves	Nan Wang[1]	MAusIMM(CP)	MMG
MMG Mineral Resources and Ore Reserves Committee	Metallurgy: Mineral Resources / Ore Reserves	Reinhardt Viljoen[1]	MAusIMM	MMG
Las Bambas	Mineral Resources	Rex Berthelsen[1]	FAusIMM(CP)	MMG
Las Bambas	Ore Reserves	Yao Wu[1]	MAusIMM	MMG
Las Bambas	Metallurgy: Mineral Resources / Ore Reserves	Amy Lamb	SME	MMG
Sepon	Mineral Resources	Chevaun Gellie	MAusIMM	MMG
Sepon	Ore Reserves	Jodi Wright[1]	MAusIMM(CP)	MMG
Sepon	Metallurgy: Mineral Resources / Ore Reserves	Leonardo Paliza	MAusIMM	MMG
Kinsevere	Mineral Resources	Douglas Corley[1]	MAIG R.P.Geo.	MMG
Kinsevere	Ore Reserves	Jodi Wright[1]	MAusIMM(CP)	MMG
Kinsevere	Metallurgy: Mineral Resources / Ore Reserves	Mark Godfrey[1]	MAusIMM	MMG
Rosebery	Mineral Resources	James Pocoe	MAusIMM	MMG
Rosebery	Ore Reserves	Karel Steyn	MAusIMM	MMG
Rosebery	Metallurgy: Mineral Resources / Ore Reserves	Kevin Rees	MAusIMM(CP)	MMG
Golden Grove (Underground & Open Pit)	Mineral Resources	Paul Boamah	MAusIMM	MMG
Golden Grove – Underground	Ore Reserves	Karel Steyn	MAusIMM	MMG
Golden Grove – Open Pit	Ore Reserves	Jodi Wright[1]	MAusIMM(CP)	MMG
Golden Grove (Underground & Open Pit)	Metallurgy: Mineral Resources / Ore Reserves	Nigel Thiel[1]	MAusIMM(CP)	MMG
Dugald River	Mineral Resources	Douglas Corley[1]	MAIG R.P.Geo.	MMG
Dugald River	Ore Reserves	Karel Steyn	MAusIMM	MMG
Dugald River	Metallurgy: Mineral Resources / Ore Reserves	Shuhua He	MAusIMM	MMG
High Lake, Izok Lake	Mineral Resources	Allan Armitage	MAPEG[2] (P.Geo)	Formerly MMG
Avebury	Mineral Resources	Peter Carolan	MAusIMM	Formerly MMG

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by the listed Competent Persons, who are Members or Fellows of the Australasian Institute of Mining and Metallurgy (AusIMM), the Australian Institute of Geoscientists (AIG) or a Recognised Professional Organisation (RPO) and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code). Each of the Competent Persons has given consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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

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

SUMMARY OF SIGNIFICANT CHANGES

MINERAL RESOURCES

Mineral Resources as at 30 June 2016 have changed since the 30 June 2015 estimate for a number of reasons with the most significant changes outlined in this section.

Mineral Resources (contained metal) have increased for molybdenum (4%), remain unchanged for gold and nickel, and have decreased for copper (1%), zinc (2%), lead (6%) and silver (5%).

Significant increases and decreases to Mineral Resources (contained metal) on an individual site basis are discussed below:

Increases:

Increases to the Mineral Resources (contained metal) for copper and molybdenum at Las Bambas are due to positive drilling results and increases in mineralised marble.

Sepon Mineral Resources contained gold increased as a result of pit shell adjustments related to metallurgical recovery.

Decreases:

Depletion at all MMG Operations has reduced Mineral Resources (contained metal), with the largest impacts on:

– Century (zinc, lead and silver) fully depleted as a result of mine closure;

– Golden Grove (copper, zinc, lead, silver, gold) as a result of depletion, increase in cut-off grade, and drilling reducing sulphide copper mineralisation;

– Sepon (copper) depletion; and

– Kinsevere (copper) depletion.

No changes have been made to the Mineral Resources at High Lake, Izok Lake and Avebury.

ORE RESERVES

Ore Reserves as at 30 June 2016 (contained metal) have increased for copper (6%), silver (2%) and molybdenum (7%) and decreased for zinc (10%), lead (11%) and gold (5%). Ore Reserves tonnes have increased, more than replacing depletion across MMG.

Significant increases and decreases to Ore Reserves (contained metal) on an individual site basis are discussed below:

Increases:

Las Bambas Ore Reserves contained copper, silver and molybdenum metal increased due to the inclusion of mineralised marble following positive metallurgical results and additional drilling converting Mineral Resources to Ore Reserves.

Kinsevere contained copper increased as a result of lower cut-off grade due to changes in mill throughput and lower processing costs.

Decreases:

Depletion at all MMG operations has reduced Ore Reserves (contained metal) for zinc, lead and gold.
The largest impacts are:

– Century (zinc, lead and silver) fully depleted as a result of mine closure;

– Rosebery (copper, zinc, lead, silver, gold) as a result of depletion;

– Golden Grove (copper, zinc, lead, silver, gold) as a result of depletion and cut-off grade increase; and

– Sepon (copper) depletion.

KEY ASSUMPTIONS

PRICES AND EXCHANGE RATES

The following price and foreign exchange assumptions, set according to the relevant MMG Standard as at January 2016, have been applied to all Mineral Resources and Ore Reserves estimates. Price assumptions remain unchanged from the 2015 Mineral Resources and Ore Reserves statement except for gold, which was US$1010/oz.

Table 1 : Price (real) and foreign exchange assumptions

	ORE RESERVES	MINERAL RESOURCES
Cu (US$/lb)	2.95	3.50
Zn (US$/lb)	1.20	1.45
Pb (US$/lb)	1.12	1.35
Au US$/oz	1031	1212
Ag US$/oz	21.10	25.50
Mo (US$/lb)	11.1	15.0
AUD:USD	0.82	As per Ore Reserves
USD:PEN	3.30	

CUT-OFF GRADES

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

Table 2 : Mineral Resources cut-off grades

SITE	MINERALISATION	LIKELY MINING METHOD[a]	CUT-OFF VALUE	COMMENTS
Las Bambas	Oxide Copper	OP	1% Cu	Cut-off is applied as a range that varies for each deposit and mineralised rock type at Las Bambas. *In-situ* Copper Mineral Resources constrained within US$3.5/lb Cu pit shell.
	Primary Copper	OP	0.17 – 0.5% Cu	
Sepon	Oxide Gold	OP	1.1 – 1.2 g/t Au	Approximate cut-off grades shown in this table. Variable cut-off grade based on net value script accounting for costs, recoveries and metal prices within US$1,212/oz pit shells.
	Partial Oxide	OP	1.7 – 2.0 g/t Au	
	Primary Gold	OP	1.6 – 1.9 g/t Au	
	Supergene Copper – Carbonate	OP	1.3 – 1.5% Cu	Approximate cut-off grades shown in this table. Variable cut-off grade based on net value script accounting for costs, recoveries and metal prices within US$3.5/lb pit shells.
	Supergene Copper – Chalcocite	OP	1.3% Cu	
	Primary Copper	OP	0.5% Cu	
Kinsevere	Oxide Copper & Stockpiles	OP	0.6% ASCu[b]	*In-situ* Copper Mineral Resources constrained within a US$3.5/lb Cu pit shell.
	Transition Mixed Copper	OP	1.5% TCu[c]	
	Primary Copper	OP	1.1% TCu[c]	
Rosebery	Rosebery (Zn, Cu, Pb, Au, Ag)	UG	A$153/t NSR[d]	Remnant upper mine areas A$179/t NSR[d]
Golden Grove	Primary Zinc & Primary Copper (Zn, Cu, Pb, Au, Ag)	UG	A$163/t NSR[d]	
	Oxide Gold – Scuddles	OP	0.5 g/t Au	*In-situ* Gold Mineral Resources constrained within a pit shell based on ore sales contract.
	Oxide & Partial Oxide Gold – Gossan Hill	OP	1.1 g/t Au	*In-situ* Gold Mineral Resources constrained within a US$1212/oz Au pit shell.
Dugald River	Primary Zinc (Zn, Pb, Ag)	UG	A$125/t NSR[d]	
	Primary Copper	UG	1%Cu	
Avebury	Ni	UG	0.4% Ni	
High Lake	Cu, Zn, Pb, Ag, Au	OP	2.0% CuEq[f]	CuEq[f] = Cu + (Zn×0.30) + (Pb×0.33) + (Au×0.56) + (Ag×0.01): based on Long-Term prices and metal recoveries at Au:75%, Ag:83%, Cu:89%, Pb:81% and Zn:93%
High Lake	Cu, Zn, Pb, Ag, Au	UG	4.0% CuEq[f]	CuEq[f] = Cu + (Zn×0.30) + (Pb×0.33) + (Au×0.56) + (Ag×0.01): based on Long-Term prices and metal recoveries at Au:75%, Ag:83%, Cu:89%, Pb:81% and Zn:93% ZnEq = Zn + (Cu×3.31) + (Pb×1.09) + (Au×1.87) + (Ag×0.033); prices and metal recoveries as per High Lake
Izok Lake	Cu, Zn, Pb, Ag, Au	OP	4.0% ZnEq[e]	

[a] : OP = Open Pit, UG = Underground, ASCu[b] = Acid Soluble Copper, TCu[c] = Total Copper, NSR[d] = Net Smelter Return After Royalty, ZnEq[e] = Zinc Equivalent, CuEq[f] = Copper Equivalent, AuEq[g] = Gold Equivalent.

Table 3 : Ore Reserves cut-off grades

SITE	MINERALISATION	MINING METHOD	CUT-OFF VALUE	COMMENTS
Las Bambas	Primary Copper Ferrobamba	OP	0.20 – 0.27%Cu, 0.31 – 0.64% Cu for marble ore	Range based on rock type recovery.
	Primary Copper Chalcobamba		0.21 – 0.31%Cu	
	Primary Copper Sulfobamba		0.23 – 0.27% Cu	
Sepon	Copper – chalcocite Copper – carbonate LAC[a] Copper – carbonate HAC[b] Copper – scubber carbonate HAC[b] Copper – low grade float Copper – Primary	OP	1.2 – 1.3% Cu 1.5 – 1.6% Cu 1.5 – 1.6% Cu 1.4 – 1.8% Cu 0.6 – 0.8% Cu 0.5 – 0.6% Cu	Variable cut-off grade based on net value script. Low grade float refers to stockpile reclaim. Approximate cut-off grades shown in this table.
Kinsevere	Copper Oxide	OP	0.9% ASCu[d]	
		OP	0.8% ASCu	Stockpile reclaim
Rosebery	(Zn, Cu, Pb, Au, Ag)	UG	A$153 NSR[e] /t	
Golden Grove	Primary Zinc and Primary Copper (Zn, Cu, Pb, Au, Ag)	UG	A$163 NSR[e] /t	
	Oxide Gold	OP	0.5g/t Au	
Dugald River	Primary Zinc	UG	A$125 NSR[e] /t	

LAC[a] = Low Acid Consuming; HAC[b] = High Acid Consuming, GAC[c] = Gangue Acid Consuming, ASCu[d] = Acid Soluble Copper,
NSR[e] = Net Smelter Return, ZnEq[f] = Zinc Equivalent

PROCESSING RECOVERIES

Output average processing recoveries are shown in Table 4: Processing Recoveries. More detailed processing recovery relationships are provided in the Technical Appendix.

Table 4: Processing Recoveries

SITE	PRODUCT	RECOVERY COPPER	ZINC	LEAD	SILVER	GOLD	MO	CONCENTRATE MOISTURE ASSUMPTIONS
Las Bambas	Copper Concentrate	82%	–	–	64%	60%		10%
	Molybdenum Concentrate						55%	5%
Century	Zinc Concentrate	–	79%	–	56%	–		–
	Lead Concentrate	–	–	68%	10%	–		–
Golden Grove – Underground	Zinc Concentrate		88%	–	–	13%		8.5%
	Lead Concentrate	60%	–	70%	74%	66%		8.5%
	Copper Concentrate	87%	–	–	67%	52%		8.5%
Golden Grove – Open Cut	Oxide Copper Concentrate	55%	–	–	–	–		16%
	Transition Copper Concentrate	55%	–	–	51%	64%		16%
Rosebery	Zinc Concentrate		87%		9%	6%		8%
	Lead Concentrate		6%	79%	39%	12%		6%
	Copper Concentrate	66%	1%	3%	42%	37%		9%
	Gold Doré[a]				0.2%	26%		
Dugald River	Zinc Concentrate	–	87%		30%	–		10%
	Lead Concentrate	–		83%	28%	–		12%
Sepon	Copper Cathode	86%	–	–	–	–		–
Kinsevere	Copper Cathode	85% (96% ASCu)	–	–	–	–		–

a: Silver for Rosebery gold doré is calculated as a constituent ratio to gold in the doré. Silver is set to 0.17 against gold being 20.7.

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

For the purpose of the management discussion and analysis, the Group's results for the 12 months ended 31 December 2016 are compared to results for the 12 months ended 31 December 2015.

YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**2,488.8**	**1,950.9**	**28%**
Operating expenses	(1,457.1)	(1,313.2)	(11%)
Other income	40.3	1.7	2,271%
Exploration expenses	(38.8)	(42.4)	8%
Administration expenses	(57.9)	(90.8)	36%
Other expenses	(26.1)	(85.3)	69%
EBITDA	**949.2**	**420.9**	**126%**
Depreciation and amortisation expenses	(684.5)	(649.4)	(5%)
Impairment expenses	–	(897.0)	100%
EBIT	**264.7**	**(1,125.5)**	**124%**
Net finance costs	(313.0)	(85.0)	(268%)
Loss before income tax	**(48.3)**	**(1,210.5)**	**96%**
Income tax (expense)/credit	(50.4)	161.8	(131%)
Loss after income tax	**(98.7)**	**(1,048.7)**	**91%**

The Group's operations comprise Las Bambas, Sepon, Kinsevere, and Australian Operations (including Rosebery and Golden Grove mines). Century is no longer in operation following the end of processing operations at the start of 2016. Exploration, development projects (including Dugald River) and corporate activities are classified as 'Other'.

	REVENUE			EBITDA		
YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Las Bambas	1,224.2	–	n/a	655.0	(72.1)	1,008%
Sepon	390.8	496.9	(21%)	101.5	248.8	(59%)
Kinsevere	400.4	418.1	(4%)	116.3	131.8	(12%)
Australian Operations	448.6	422.3	6%	179.4	98.6	82%
Century	23.9	613.6	(96%)	(10.1)	159.8	(106%)
Other	0.9	–	n/a	(92.9)	(146.0)	36%
Total	**2,488.8**	**1,950.9**	**28%**	**949.2**	**420.9**	**126%**

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

REVENUE

The Group's operational revenue increased by US$537.9 million to US$2,488.8 million mainly due to increased copper sales volumes following the achievement of commercial production at Las Bambas on 1 July 2016. This was partially offset by lower zinc and lead sales volumes following the closure of the Century mine and lower realised prices for copper. Specifically, favourable sales volumes for copper (US$952.8 million), gold (US$101.5 million), and silver (US$33.4 million) were partly offset by unfavourable sales volumes for zinc (US$440.5 million) and lead (US$105.2 million). Lower realised prices for copper (US$70.7 million) were partly offset by favourable realised prices for zinc (US$43.5 million), gold (US$12.2 million), lead (US$6.2 million) and silver (US$4.7 million).

REVENUE BY COMMODITY YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Copper	1,913.1	1,031.0	86%
Zinc	221.3	618.3	(64%)
Lead	45.3	144.3	(69%)
Gold	177.8	64.1	177%
Silver	131.3	93.2	41%
Total	**2,488.8**	**1,950.9**	**28%**

PRICE

With the exception of copper, LME base metals prices were higher in 2016 compared to 2015. Zinc and lead average realised prices were favourably impacted by a decline in zinc concentrate treatment charges and refinement charges (TC/RC), while higher TC/RC for copper unfavourably impacted the average realised price.

AVERAGE LME CASH PRICE YEAR ENDED 31 DECEMBER	2016	2015	CHANGE % FAV/(UNFAV)
Copper (US$/tonne)	4,863	5,495	(12%)
Zinc (US$/tonne)	2,095	1,928	9%
Lead (US$/tonne)	1,872	1,784	5%
Gold (US$/ounce)	1,250	1,160	8%
Silver (US$/ounce)	17.14	15.68	9%

SALES VOLUMES

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER	2016	2015	CHANGE % FAV/(UNFAV)
Copper (tonnes)	471,617	197,338	139%
Zinc (tonnes)	134,126	459,715	(71%)
Lead (tonnes)	31,369	105,710	(70%)
Gold (ounces)	144,907	61,405	136%
Silver (ounces)	7,978,410	6,005,765	33%

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

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2015	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES
Sepon	88,752	–	–	–	–
Kinsevere	80,236	–	–	–	–
Australian Operations	28,350	116,606	24,696	61,405	3,402,258
Century	–	343,109	81,014	–	2,603,507
Total	**197,338**	**459,715**	**105,710**	**61,405**	**6,005,765**

Copper sales volumes increased by 139% compared to 2015 following the achievement of commercial production at Las Bambas on 1 July 2016, with the first concentrate shipment in January 2016. Kinsevere also delivered an annual production record whilst production was lower at Sepon (11%) and Australian operations (46%).

Zinc and Lead sales volumes were 71% and 70% lower respectively for the year ended 2016 following the final production from the Century mine in late 2015.

Operating expenses include expenses of operating sites, excluding depreciation and amortisation. Site expenses include mining and processing expenses, changes in inventories, royalty expenses, selling expenses and other operating expenses. Total operating expenses increased by US$143.8 million (11%) in 2016. Las Bambas achieved commercial production on 1 July 2016, following which operating costs of US$583.5 million were reflected in the income statement. This was partly offset by reduced operating costs (US$420.9 million) at Century following the end of processing operations in early 2016.

In addition, operating costs at Sepon increased by US$61.1 million (26%), mainly attributable to a US$52 million write-down in the value of low grade stockpiled ore. Operating costs at Kinsevere decreased by US$5.5 million (2%) compared to 2015, despite a US$35 million write-down of stockpiled ore and record production volumes. Australian Operations' operating costs decreased by US$57.5 million (17%) as a result of the restructuring of the Australian operations and the reduced throughput strategy at Golden Grove.

Exploration expenses decreased by US$3.6 million (8%) compared to the year ended 2015.

The Group invested US$20.3 million in mine district exploration, a decrease of US$2.4 million compared to the year ended 2015. Exploration in 2016 focused on sustaining Mineral Resources and increasing the mine life of existing assets with particular focus on Kinsevere and Sepon, and developing exploration programs at Las Bambas. New discovery spend was down US$2.0 million (11%) across all exploration targets.

Administrative expenses decreased by US$32.9 million (36%) compared to 2015. This was primarily as a result of a Group-wide focus on controlling costs. The weaker Australian dollar also contributed to reducing administrative expenses.

Other income increased by US$38.6 million to US$40.3 million for the year ended 2016. The increase was driven by fair value gains on commodity price contracts of US$21.5 million (2015: US$nil), receipt of insurance claim of US$10.1 million at Sepon and gains on disposal of financial assets of US$6.3 million (2015: US$0.2 million).

Other expenses were US$26.1 million in 2016 compared to US$85.3 million in 2015. The decrease in other expenses by US$59.2 million (69%) was mainly due to net foreign exchange gains of US$12.1 million (2015: net foreign exchange losses of US$56.4 million), relating to the translation of Peruvian value-added tax (VAT) receivables. This was partly offset by Century care and maintenance expenses of US$19.4 million (2015: US$nil).

Depreciation and amortisation expenses increased by US$35.1 million (5%) to US$684.5 million for the year ended 2016. The increase was primarily driven by Las Bambas achieving commercial production on 1 July 2016 (US$249.8 million), partly offset by Century mine moving into care and maintenance in 2016 and therefore nil depreciation and amortisation (2015: US$224.6 million).

Net finance costs increased by US$228.0 million (268%) in 2016. The increase was mainly due to Las Bambas achieving commercial production on 1 July 2016, following which interest expense on borrowings was no longer capitalised to the assets.

Income tax expense increased by US$212.2 million (131%) reflecting the decrease in the Group's loss before income tax by US$1,162.2 million. The effective tax rate for 2016 was negative 104% (2015: 13%), which included the unfavourable impacts of non-creditable Peruvian Withholding Tax of US$24.6 million (2015: US$22.3 million) and a one-off write-down of deferred tax assets of US$62.8 million (2015: nil).

SEGMENT ANALYSIS

LAS BAMBAS

YEAR ENDED 31 DECEMBER	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	46,910,080	–	n/a
Ore milled (tonnes)	46,502,808	–	n/a
Copper in copper concentrate (tonnes)	330,227	–	n/a
Payable metal in product sold			
Copper (tonnes)	296,982	–	n/a

YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**1,224.2**	**–**	**n/a**
Operating expenses			
Production expenses			
Mining	(165.4)	–	n/a
Processing	(156.6)	–	n/a
Other	(125.0)	–	n/a
Total production expenses	**(447.0)**	**–**	**n/a**
Freight (transportation)	(33.3)	–	n/a
Royalties	(34.3)	–	n/a
Other(i)	(68.9)	–	n/a
Total operating expenses	**(583.5)**	**–**	**n/a**
Other income/(expenses)	14.3	(72.1)	120%
EBITDA	**655.0**	**(72.1)**	**1,008%**
Depreciation, and amortisation expenses	(249.8)	–	n/a
EBIT	**405.2**	**(72.1)**	**662%**
EBITDA margin	**54%**	**n/a**	**–**

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

Las Bambas achieved commercial production on 1 July 2016, from which time the project was accounted for as an operation. As a result, the 2016 financial results take into account sales, operating expenses and depreciation and amortisation for the second half of 2016. Revenue of US$1,224.2 million derived from payable metal in product sold of 223,542 tonnes of copper in copper concentrate. C1 costs of the second half of 2016 were US$1.02/lb and EBITDA for the six month period was US$638.1 million.

SEPON

YEAR ENDED 31 DECEMBER	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	2,967,991	1,847,828	61%
Ore milled (tonnes)	2,547,564	2,116,501	20%
Copper cathode (tonnes)	78,492	89,253	(12%)
Payable metal in product sold			
Copper (tonnes)	78,714	88,752	(11%)

YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**390.8**	**496.9**	**(21%)**
Operating expenses			
Production expenses			
Mining	(63.3)	(28.9)	(119%)
Processing	(129.7)	(140.4)	8%
Other	(43.4)	(44.4)	2%
Total production expenses	**(236.4)**	**(213.7)**	**(11%)**
Freight (transportation)	(4.8)	(5.6)	14%
Royalties	(17.2)	(22.1)	22%
Other(i)	(39.7)	4.4	(1,002%)
Total operating expenses	**(298.1)**	**(237.0)**	**(26%)**
Other income/(expenses)	8.8	(11.1)	179%
EBITDA	**101.5**	**248.8**	**(59%)**
Depreciation, and amortisation expenses	(138.2)	(114.4)	(21%)
EBIT	**(36.7)**	**134.4**	**(127%)**
EBITDA margin	**26%**	**50%**	**–**

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

Sepon produced 78,492 tonnes of copper cathode in 2016, down 12% on the corresponding period in 2015. Production was impacted by the continued transition to lower grade and more complex ores, with ore milled grades of 3.7% compared to 4.9% in 2015.

The combined impact of lower production and a lower average realised copper price resulted in revenue decreasing by US$106.1 million (21%).

The $61.1 million unfavourable movement in operating expenses is attributable to a $52 million write-down in the value of low grade stockpiled ore. Other than this inventory write-down, a focus on operational efficiencies and cost controls resulted in total cash operating costs remaining broadly flat in 2016 despite total ore mined increasing by 61% to combat the lower grade ore. A further cost reduction program was initiated in late 2016 to deliver further efficiencies including a reduction in 321 FTE roles. EBITDA margins were significantly lower at 26%, compared to 50% in the same period in 2015.

Depreciation and amortisation expenses increased by US$23.8 million (21%) due to the significantly higher quantity of ore mined and milled.

KINSEVERE

YEAR ENDED 31 DECEMBER	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	2,009,298	2,207,304	(9%)
Ore milled (tonnes)	2,294,530	2,183,905	5%
Copper cathode (tonnes)	80,650	80,169	1%
Payable metal in product sold			
Copper (tonnes)	80,491	80,236	1%

YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**400.4**	**418.1**	**(4%)**
Operating expenses			
Production expenses			
Mining	(35.3)	(28.0)	(26%)
Processing	(78.9)	(114.2)	31%
Other	(80.2)	(81.3)	1%
Total production expenses	**(194.4)**	**(223.5)**	**13%**
Freight (transportation)	(39.1)	(45.1)	13%
Royalties	(16.9)	(18.5)	9%
Other(i)	(32.5)	(1.3)	(2,400%)
Total operating expenses	**(282.9)**	**(288.4)**	**2%**
Other income/(expenses)	(1.2)	2.1	(157%)
EBITDA	**116.3**	**131.8**	**(12%)**
Depreciation and amortisation expenses	(184.4)	(190.1)	3%
EBIT (Underlying)	**(68.1)**	**(58.3)**	**(17%)**
Impairment expenses	–	(263.9)	100%
EBIT (Statutory)	**(68.1)**	**(322.2)**	**79%**
EBITDA margin	**29%**	**32%**	**–**

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

Kinsevere production was up 1% on the prior period to 80,650 tonnes of copper cathode, representing the third consecutive annual production record, as the operation continues to drive efficiencies and produce well above plant nameplate.

Revenue decreased by US$17.7 million (4%) compared to 2015 as a result of lower average realised copper prices, partly offset by an increase in copper sales volumes.

Operating costs decreased by US$5.5 million (2%) compared to 2015 despite a $35 million write-down stockpiled ore. Excluding this write-down, cash operating expenses were significantly lower, driven by a significant reduction in employee and contractor costs resulting from the implementation of the MMG operating model and roll out of Shared Business Services. Consumables costs were also lower as part of a focus on reducing C1 costs. Energy costs benefited from a better mix of energy generated from grid. Only 10% of power requirements were met from electricity sourced via diesel generation during 2016.

EBITDA margins declined slightly to 29%, with cost controls partly offsetting the impact of lower revenue from weaker copper prices.

Depreciation and amortisation expenses decreased by US$5.7 million (3%), corresponding to the lower quantity of ore mined in 2016.

AUSTRALIAN OPERATIONS

YEAR ENDED 31 DECEMBER	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,870,032	2,459,748	(24%)
Ore milled (tonnes)	1,893,917	2,706,439	(30%)
Copper in copper concentrate (tonnes)	14,142	28,984	(51%)
Zinc in zinc concentrate (tonnes)	119,575	147,235	(19%)
Lead in lead concentrate (tonnes)	29,968	28,159	6%
Gold contained in gold doré (ounces)	12,178	13,340	(9%)
Silver contained in gold doré (ounces)	6,779	6,991	(3%)
Payable metal in product sold			
Copper (tonnes)	15,430	28,350	(46%)
Zinc (tonnes)	112,438	116,606	(4%)
Lead (tonnes)	29,756	24,696	20%
Gold (ounces)	65,967	61,405	7%
Silver (ounces)	3,915,315	3,402,258	15%

YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**448.6**	**422.3**	**6%**
Operating expenses			
Production expenses			
Mining	(115.9)	(137.9)	16%
Processing	(70.9)	(90.5)	22%
Other	(22.8)	(43.6)	48%
Total production expenses	**(209.6)**	**(272.0)**	**23%**
Freight (transportation)	(12.7)	(13.6)	7%
Royalties	(19.8)	(13.7)	(45%)
Other[(i)]	(29.7)	(30.0)	1%
Total operating expenses	**(271.8)**	**(329.3)**	**17%**
Other income	2.6	5.6	(54%)
EBITDA	**179.4**	**98.6**	**82%**
Depreciation and amortisation expenses	(103.5)	(111.2)	7%
EBIT	**75.9**	**(12.6)**	**702%**
EBITDA margin	**40%**	**23%**	**–**

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

Total revenue increased US$26.3 million (6%) due to higher realised sales prices and sales volumes for zinc, lead, gold and silver at Rosebery. This was partly offset by lower revenue at Golden Grove due to the strategy to reduce throughput from 1.6mtpa to 1mtpa and introduce campaign milling to reduce costs.

Ore mined and milled reduced by 24% and 30% respectively, compared to 2015, largely due to a reduced throughput strategy at Golden Grove.

The restructuring of the Australian operations resulted in reduced employee, contractor and energy costs which were the main contributor to total operating expenses being US$57.5 million (17%) below 2015.

EBITDA contribution of US$179.4 million, 82% above 2015, was the result of the higher revenue and lower production expenses, partially offset by higher royalties due to the higher profitability in 2016.

Depreciation and amortisation expenses decreased by US$7.7 million (7%) due to an increase in the reserve base at Rosebery, partly offset by a decline in the reserve base at Golden Grove.

CENTURY

YEAR ENDED 31 DECEMBER	2016	2015	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	–	4,589,601	n/a
Ore milled (tonnes)	118,951	6,811,181	(98%)
Zinc in zinc concentrate (tonnes)	16,457	392,667	(96%)
Lead in lead concentrate (tonnes)	1,181	79,153	(99%)
Payable metal in product sold			
Zinc (tonnes)	21,688	343,109	(94%)
Lead (tonnes)	1,613	81,014	(98%)
Silver (ounces)	26,597	2,603,507	(99%)

YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**23.9**	**613.6**	**(96%)**
Operating expenses			
Production expenses			
Mining	–	(38.3)	100%
Processing	(17.8)	(205.6)	91%
Other	(1.0)	(66.7)	99%
Total production expenses	**(18.8)**	**(310.6)**	**94%**
Freight (transportation)	(1.7)	(33.5)	95%
Royalties	–	(29.1)	100%
Other (i)	(17.7)	(85.9)	79%
Total operating expenses	**(38.2)**	**(459.1)**	**92%**
Other income	4.2	5.3	(21%)
EBITDA	**(10.1)**	**159.8**	**(106%)**
Depreciation and amortisation expenses	–	(224.6)	100%
EBIT	**(10.1)**	**(64.8)**	**84%**
EBITDA margin	**(42%)**	**26%**	**–**

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

Final ore was mined at Century in August 2015, with the mine operations having transitioned to care and maintenance. The US$23.9 million in revenue relates to processed ore from the Dugald River trial stoping program. The ore was processed at the Century mill and sales were completed during the first quarter of 2016.

CASH FLOW ANALYSIS

NET CASH FLOW

YEAR ENDED 31 DECEMBER	2016	2015
Net operating cash flows	722.3	282.4
Net investing cash flows	(847.2)	(1,917.5)
Net financing cash flows	79.3	1,982.2
Net cash (outflows)/inflows	**(45.6)**	**347.1**

Note: Certain comparative figures on the statement of cash flows have been reclassified based on their nature to conform with the current year presentation.

Net operating cash inflows increased by US$439.9 million (156%) to US$722.3 million mainly reflecting higher EBITDA following the achievement of commercial production at Las Bambas on 1 July 2016.

Net investing cash outflows were largely associated with capital expenditures relating to the construction of Las Bambas and the Dugald River Project.

Net financing cash flows included repayments of borrowings of US$664.4 million, and payments of interest and financing costs of US$403.6 million in line with contractual terms in 2016. In addition, dividends of US$3.5 million were paid to Sepon minority shareholder the Government of Laos.

These were partially offset by drawdowns of US$263.4 million under the US$5,988.0 million Las Bambas Project Facility with China Development Bank Corporation (CDB), Industrial and Commercial Bank of China Limited (ICBC), Bank of China Limited (Sydney Branch) (BOC) and The Export-Import Bank of China (EXIM), US$200.0 million under the US$350.0 million working capital facility with ICBC, US$80.0 million under the US$550 million Dugald River facility with BOC and CDB, and US$100.0 million under US$300.0 million facility with ICBC. Additionally, in December 2016 the Group successfully completed the Rights Issue of 2,645,034,944 rights shares at HK$1.50 per share with proceeds of US$504.2 million, net of share issue costs.

Financing cash inflows in 2015 included the drawdown of US$1,540.5 million under the US$5,988.0 million Las Bambas Project Facility with CDB, ICBC, BOC and EXIM and US$189.0 million under the US$300.0 million facility with ICBC. Year 2015 inflows also included capital contribution from non-controlling shareholders of Las Bambas of US$250.5 million, US$417.5 million drawn under the US$2,262.0 million facility with MMG shareholder Top Create. These were partially offset by repayments of borrowings and payments of interest and financing costs in line with contractual terms. Dividends of US$8.0 million were paid to Sepon minority shareholder the Government of Laos.

FINANCIAL RESOURCES AND LIQUIDITY

FOR THE YEAR ENDED 31 DECEMBER	2016 US$ MILLION	2015 US$ MILLION	CHANGE US$ MILLION
Total assets	15,230.0	14,660.0	570.0
Total liabilities	12,640.4	12,484.8	155.6
Total equity	**2,589.6**	**2,175.2**	**414.4**

Total equity increased by US$414.4 million to US$2,589.6 million as at 31 December 2016, mainly reflecting the US$504.2 million net proceeds from the Rights Issue completed in December 2016, which was partially offset by the US$98.7 million net loss after tax for the year.

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 gearing ratio for the MMG Group is set out below, with gearing defined as net debt (total borrowings excluding finance charge prepayments, less cash and cash equivalents) divided by the aggregate of net debt plus total equity.

MMG GROUP	2016 US$ MILLION	2015 US$ MILLION
Total borrowings (excluding prepayments)[1]	10,339.5	10,357.8
Less: cash and cash equivalents	552.7	598.3
Net debt	**9,786.8**	**9,759.5**
Total equity	2,589.6	2,175.2
Net debt + Total equity	**12,376.4**	**11,934.7**
Gearing ratio	**0.79**	**0.82**

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

Under the terms of relevant debt facilities held by the MMG Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,261.3 million (2015: US$2,261.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas Joint Venture Company, MMG SAM. For the purpose of the above, it has however been included as borrowings.

AVAILABLE DEBT FACILITIES

As at 31 December 2016, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US$320.0 million (2015: US$850.0 million), including:

- US$220.0 million available under the amended US$550.0 million exclusive Dugald River facility, which can only be used for the purpose of funding the Dugald River project; and
- US$100.0 million available under the existing US$300.0 million ICBC term and revolving facility, which is only available for drawing until 20 April 2017, being the date which falls one month prior to the maturity of the facility.

In addition, as at 31 December 2016, US$0.7 million of the facility provided by Top Create Resources Limited, a Shareholder of the Company, remained undrawn (2015: US$0.7 million).

As at 31 December 2016, the MMG South America Management Group had available undrawn bank debt facilities of US$252.3 million (2015: US$265.7 million), which is available exclusively for the MMG South America Management Group, including:

- US$250.0 million available under the existing US$350.0 million BOC Sydney Working Capital Revolving Facility, which was first established during the year; and
- US$2.3 million available under the existing Las Bambas Project Facility with syndicate lenders led by China Development Bank Corporation.

PROJECT UPDATE

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

LAS BAMBAS, PERU

Las Bambas achieved commercial production on 1 July 2016, at which time it ceased being reported as a development project and has since been accounted for as an operation. Las Bambas is a large, long-life copper mine located in the Apurimac region of Peru. It produced its first copper concentrate from commissioning activities in the fourth quarter 2015, with the first shipment of approximately 10,000 tonnes of copper concentrate departing the Port of Matarani in January 2016. Total production of copper in copper concentrate was 330,227 tonnes in 2016.

MMG expects to produce 420,000–460,000 tonnes of copper in copper concentrate in 2017, the first full year of operation. C1 costs are expected to be within the range of US$0.85-US$0.95/lb in 2017, placing the mine in the first quartile of the cost curve.

Total project cost was confirmed as US$9.7 billion, at the lower end of budget guidance range of US$9.7–$10.2 billion, including acquisition and construction costs.

DUGALD RIVER, AUSTRALIA

On 27 June 2016 MMG announced it had entered into an amended facility agreement of up to US$550 million in relation to the financing of the development and construction of the Dugald River zinc, lead and silver mine. The expected remaining cost of the project to first shipment of concentrate was reduced by up to US$150 million – down from US$750 million to US$600 – US$620 million[1] plus interest costs. This is the result of an improved development plan and savings secured through strategic sourcing in the mining construction downturn.

Since receiving conditional approval of the updated development plan in July 2015, MMG has further improved project value by:

- reducing the expected project capital cost and ongoing mining unit cost;
- enabling increased production and improved mill utilisation;
- initially targeting ore with higher geological confidence and lower risk; and
- increasing productivity through better mine and operations planning.

As a result, the optimised mine plan will support a 1.7 Mtpa operation with annual production of around 170,000 tonnes of zinc in zinc concentrate, plus by-products. This confirms Dugald River's position within the world's top ten zinc mines when operational. The mine is expected to operate over an estimated 25 years while the ore body remains open at depth. At this stage MMG

1. US$600-620 million cost to complete from Board approval of the updated development plan in July 2015 to first shipment of concentrate in 2018.

expects to achieve C1 costs of US $0.68-0.78/lb when at a steady state of operation.

The project remains on target for first concentrate production in the first half of 2018.

CONTRACTS AND COMMITMENTS

SEPON

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including inbound logistics, aviation services, drilling services, infrastructure remediation goods and services, sulphuric acid, reagents, explosives, and plant maintenance related parts.

KINSEVERE

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including engineering services, infrastructure development, customs clearance services, mobile equipment (ancillary), power generators, civil works, security and sulphuric acid.

AUSTRALIAN OPERATIONS

New and revised agreements were finalised with regard to various goods and services with improved terms and conditions including ground support, tyres, fuel and lubricants, infrastructure remediation services, logistics related services, electrical consumables, maintenance related goods and services and equipment purchases.

CENTURY

Following closure, contracting activity for Century has diminished significantly. Revised agreements were finalised in the reporting period as well as minor agreements for ongoing maintenance and rehabilitation activities.

DUGALD RIVER

As the project progressed into the construction phase, a significant number of contracts have been put in place covering both surface infrastructure and ongoing mine development. The most significant contracts included underground mining services, surface infrastructure construction, paste plant, earthworks and civil construction, structural mechanical piping electrical and instrumentation, utilities infrastructure, capital goods and village expansion.

LAS BAMBAS

As the project progressed toward achieving commercial production on 1 July, a significant number of new and revised contracts were put in place across all areas. The most significant contracts included electricity, mobile equipment and associated maintenance components, maintenance services, earthworks and civil construction, labour hire services (shutdown), personnel logistics services, security services, processing reagents and grinding media, drilling services and concentrate logistics (road, rail and shipping). Other capital related agreements were put in place for heavy haul road and water infrastructure projects.

GROUP

New contracts in corporate group areas were also completed for outsourced network services, IT consultancy services, software licences, external audit services, airlines and insurance renewals.

PEOPLE

As at 31 December 2016, the Group employed a total of 5,210 full-time equivalent employees (31 December 2015: 5,953) in its operations (excluding contractors, casual employees, apprentices and trainees) with the majority of employees based in Australia, Laos, South America and the DRC.

Total employee benefits expenses for the Group's operations for the 12 months ended 31 December 2016, including Directors' emoluments, totalled US$326.0 million, a decrease of 15% (2015: US$381.7 million) due to the lower employee headcount.

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 are provided in accordance with regional market practice and legislative requirement, and include market-competitive fixed remuneration, performance-related incentives, and, in specific cases, a limited equity plan, 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

The Group did not make any material acquisitions or disposals in the 12 months ended 31 December 2016.

EVENTS AFTER THE REPORTING DATE

SALE OF GOLDEN GROVE

The Group completed the sale of Golden Grove to EMR capital on 28 February 2017 for gross proceeds of US$210.0 million. All completion requirements were met on 28 February 2017 and the Group will cease to consolidate Golden Grove from that date. The sale agreement provides EMR Capital the economic benefit of operations at Golden Grove from 1 January 2017 to 28 February 2017 by a post settlement adjustment to the sale price. An estimated net profit after tax of between US$10.0 million and US$30.0 million will be recognised from the disposal of the Golden Grove in the Group's 2017 financial year.

SALE OF CENTURY MINE

On 28 February 2017 the Group entered into agreements with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd (Century Bull) who is independent to the Group to effect the disposal of assets and infrastructure associated with the Century mine. The disposal will benefit the Group by allowing it to remain focused on the development and operation of world class mining assets, through transferring the assets and transferring rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites whilst capping the Groups future expected liabilities related to the Century mine. The sale received unconditional approval from the MMG board in February 2017 and the sale completed on 28 February 2017. Century Bull is a specialist in economic rehabilitation of mine sites while using existing infrastructure and remnant mineralisation (zinc bearing tailings) to generate ongoing economic contribution. As legal owner of the Century mine, Century Bull has assumed overall accountability for rehabilitation and care for country responsibilities, in consultation with Native Title groups.

As at 31 December 2016, the book value of Century amounted to a net liability of US$148.2 million including rehabilitation liabilities of approximately US$317.0 million. As a result of the sales agreements the Group has agreed to provide a bank guarantee facility of A$193 million (approximately US$148.1 million) for the benefit of Century Bull until 31 December 2026. The guarantees have been procured to support certain obligations (Principal Obligations) Century is required to perform in operating the Century Mine business including rehabilitation activities. Century Bull is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees.

The Group will recognise the fair value of the guarantee as a financial liability until expiry of the guarantee period which is capped at a maximum of A$193 million (approximately US$148.1 million). Century Bull must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In addition the Group will make an additional contribution of A$34.5 million (approximately US$26.5 million) over three years, to provide short term support to Century Bull during their transition period in respect to their obligations around site upkeep and environmental maintenance and monitoring. The Group will also establish a special purpose trust of A$12.1 million (approximately US$9.3 million), managed independently by Equity Trustees to support Century Bull in meeting Century's existing obligations and agreed community projects for the benefit of Lower Gulf communities.

The Group expects an estimated net loss after tax of between US$5.0 million and US$20.0 million in the 2017 financial year as a result of the transaction.

Other than the matters outlined above, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

FINANCIAL AND OTHER RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks, including commodity price risk, interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group can use derivative financial instruments such as foreign exchange contracts and commodity swaps to manage certain exposures. The Group does not enter into, and is prohibited from entering into, derivative contracts for speculative purposes.

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

(a) Commodity price risk

The prices of copper, zinc, lead, gold, and silver are affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned. The Group has entered into a series of commodity price contracts for copper during the reporting period.

The following table outlines the commodity price contracts outstanding at 31 December 2016:

	YEAR ENDED 31 DECEMBER 2016		
OUTSTANDING CONTRACTS	TONNES VALUE	NOTIONAL VALUE US$ MILLION	FAIR VALUE ASSETS (LIABILITIES) US$ MILLION
Less than 3 months	59,320.0	341.7	14.7
3 to 6 months	15,532.0	87.7	2.0
Total	**74,852.0**	**429.4**	**16.7**

The following table details the sensitivity of the Group's commodity price contracts balance to movement in commodity prices. At the reporting date, if the commodity prices increased/decreased by 10% and all other variables were held constant, the Group's after loss and other comprehensive income ("OCI") would have changed as follows:

	INCREASE/(DECREASE) IN NET LOSS AFTER TAX[1] 2016	INCREASE/(DECREASE) IN OCI 2016
US$ MILLION		
Copper price +10%	28.9	–
Copper price -10%	(28.9)	–

1. The impact on the net loss after tax is expected to be US$nil when combined with the change in value of those sales covered by the commodity price contracts.

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

	2016			2015		
COMMODITY	COMMODITY PRICE MOVEMENT	DECREASE LOSS US$ MILLION	INCREASE LOSS US$ MILLION	COMMODITY PRICE MOVEMENT	DECREASE LOSS US$ MILLION	INCREASE LOSS US$ MILLION
Zinc	10%	(5.1)	5.1	10%	(3.6)	3.6
Copper	10%	(53.8)	53.8	10%	(8.2)	8.2
Lead	10%	(0.1)	0.1	10%	(0.1)	0.1
Total		**(59.0)**	**59.0**		**(11.9)**	**11.9**

(b) Interest rate risk

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

The Group regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed periodically in light of the Group's overall exposure, the prevailing interest rate market and any funding counterparty requirements. Regular reporting which summarises the Group's debt and interest rates is provided to the Executive Committee. As at 31 December 2016 and 2015, if the interest rate had increased/(decreased) by 100 basis points with all other variables held constant, post-tax profit/(loss) and OCI would have changed as follows:

	2016				2015			
	-100 BASIS POINTS		+100 BASIS POINTS		-100 BASIS POINTS		+100 BASIS POINTS	
US$ MILLION	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
Financial assets								
Cash and cash equivalents	3.9	–	(3.9)	–	4.2	–	(4.2)	–
Financial liabilities								
Borrowings	(39.8)	–	39.8	–	(6.7)	–	6.7	–
Total	**(35.9)**	**–**	**35.9**	**–**	**(2.5)**	**–**	**2.5**	**–**

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

If the sensitivity analysis had included capitalised interest on borrowings in relation to development projects, the rate variation would have increased or decreased Property, Plant and Equipment by US$31.2 million (2015: US$65.0 million) with the corresponding offset in cash and cash equivalents.

(c) Foreign exchange risk

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

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

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

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

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

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

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

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

US$ MILLION	US$	PEN	A$	HK$	OTHERS	TOTAL
As at 31 December 2016						
Financial assets						
Cash and cash equivalents	521.9	14.7	10.0	2.6	3.5	**552.7**
Trade receivables	406.6	–	–	–	–	**406.6**
Other and sundry receivables	69.9	0.2	–	–	0.6	**70.7**
Derivative assets	16.7	–	–	–	–	**16.7**
Financial liabilities						
Trade and other payables	(468.3)	(117.2)	(59.5)	–	(7.6)	**(652.6)**
Derivative liabilities	(5.8)	–	–	–	–	**(5.8)**
Borrowings (excluding prepayments)	(10,339.5)	–	–	–	–	**(10,339.5)**
	(9,798.5)	**(102.3)**	**(49.5)**	**2.6**	**(3.5)**	**(9,951.2)**
As at 31 December 2015						
Financial assets						
Cash and cash equivalents	583.1	1.7	7.4	–	6.1	**598.3**
Trade receivables	38.1	–	–	–	–	**38.1**
Other and sundry receivables	134.0	2.9	11.4	–	–	**148.3**
Financial liabilities						
Trade and other payables	(398.2)	(43.9)	(85.5)	–	–	**(527.6)**
Derivative liabilities	(0.3)	–	–	–	–	**(0.3)**
Borrowings (excluding prepayments)	(10,357.8)	–	–	–	–	**(10,357.8)**
	(10,001.1)	**(39.3)**	**(66.7)**	**–**	**6.1**	**(10,101.0)**

Based on the Group's net financial assets and liabilities as at 31 December 2016 and 2015, a movement of the US dollar against the principal non-functional currencies as illustrated in the table below, with all other variables held constant, would cause increase /(decrease) in post-tax loss and OCI as follows:

	2016				2015			
	WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR		WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR	
US$ MILLION	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
10% movement in Australian dollar (2015: 10%)	3.5	–	(3.5)	–	4.7	–	(4.7)	–
10% movement in Peruvian sole (2015: 10%)	7.0	–	(7.0)	–	2.7	–	(2.7)	–
Total	**10.5**	**–**	**(10.5)**	**–**	**7.4**	**–**	**(7.4)**	**–**

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions.

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

The Group's most significant customers are CMN and Trafigura Pte Ltd. The revenue earned from CMN and Trafigura Pte Ltd are approximately 37.9% and 15.0% respectively (2015: Nyrstar Sales and Marketing AG with 33.4%) of revenue for the year. The largest debtor as at 31 December 2016 is CMN with a balance of US$228.4 million (2015: Trafigura Beheer B.V. with US$9.4 million) and the five largest debtors accounted for 94.2% (2015: 88.2%) of the Group's trade receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying. The credit risk by geographic region was:

	AS AT 31 DECEMBER	
US$ MILLION	2016	2015
Australia	9.3	5.9
Europe	26.5	26.0
Asia	370.8	6.2
	406.6	**38.1**

(e) Liquidity risk

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

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

US$ MILLION	WITHIN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
At 31 December 2016					
Financial assets					
Cash and cash equivalents	552.7	–	–	–	552.7
Trade and other receivables	413.1	64.2	–	–	477.3
Derivative assets – gross settled					
-Inflows	429.4	–	–	–	429.4
-Outflows	(412.7)	–	–	–	(412.7)
Financial liabilities					
Trade and other payables (including accrued interest)	(652.6)	–	–	–	(652.6)
Derivative financial liabilities – (foreign exchange option contracts)	(1.2)	–	–	–	(1.2)
Derivative financial liabilities – gross settled					
-Inflows	124.7	10.8	–	–	135.5
-Outflows	(128.9)	(11.2)	–	–	(140.1)
Borrowings (including unaccrued interest)	(1,361.6)	(3,207.1)	(2,757.4)	(6,100.1)	(13,426.2)
	(1,037.1)	**(3,143.3)**	**(2,757.4)**	**(6,100.1)**	**(13,037.9)**
At 31 December 2015					
Financial assets					
Cash and cash equivalents	598.3	–	–	–	598.3
Trade and other receivables	173.2	13.2	–	–	186.4
Financial liabilities					
Trade and other payables (including accrued interest)	(420.2)	(107.4)	–	–	(527.6)
Forward foreign exchange contracts net settled	(0.3)	–	–	–	(0.3)
Borrowings (including unaccrued interest)	(383.1)	(1,350.9)	(5,097.3)	(6,781.5)	(13,612.8)
	(32.1)	**(1,445.1)**	**(5,097.3)**	**(6,781.5)**	**(13,356.0)**

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

(f) Sovereign risk

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

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

CONTINGENT LIABILITIES

BANK GUARANTEES

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the year, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities. These guarantees amount to US$383.4 million as at 31 December 2016 (31 December 2015: US$491.2 million).

CONTINGENT LIABILITIES – TAX RELATED CONTINGENCIES

Tax authorities conduct regular routine tax reviews and audits on the Group. The final outcome cannot be determined with sufficient reliability. The consolidated statement of financial position currently reflects all probable taxation liabilities and reasonable steps are being undertaken in relation to all potential tax uncertainty.

CHARGES ON ASSETS

As at 31 December 2016, the borrowings of the Group were secured as follows:

(a) Approximately US$488.2 million (2015: US$563.3 million) from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment Private Limited (Album Investment), a wholly owned subsidiary of the Company, and 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited, and a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited.

(b) Approximately US$330.0 million (2015: US$250.0 million) from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment; 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over all of the shares in MMG Dugald River Pty Ltd (MMG Dugald River); a real property mortgage over all of the interests in land of MMG Dugald River; a general security agreement in respect of all of the assets of MMG Dugald River; and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project and a featherweight charge over all of MMG Australia Limited's other assets (which security may now be released as MMG Australia Limited has completed the transfer of the Dugald River project assets to MMG Dugald River).

(c) Approximately US$6,954.5 million (2015: US$6,691.3 million) from China Development Bank Corporation, Industrial and Commercial Bank of China Limited, Bank of China Limited (Sydney Branch) and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including Minera Las Bambas S.A., a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of Minera Las Bambas S.A., assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of Minera Las Bambas S.A. These borrowings are also guaranteed on several basis by CMNH and CMCL, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG S.A., Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in MMG SAM.

FUTURE PROSPECTS

MMG expects to produce 560,000–615,000 tonnes of copper and 65,000–72,000 tonnes of zinc in 2017.

Total capital expenditure for 2017 is expected to be between US$850 and US$900 million, including approximately US$330 million of growth capital expenditure for the Dugald River development project. 2017 capital expenditure guidance also includes an elevated level of spending at Las Bambas as ramp up and optimisation activities continue.

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' BIOGRAPHIES

CHAIRMAN

MR GUO WENQING

Mr Guo, aged 52, was appointed as the Chairman of the Company in February 2017.

Mr Guo is a director and the President of China Minmetals Corporation (CMC), as well as the Chairman of China Metallurgical Group Corporation (MCC Group) (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) since April 2015 and May 2016 respectively.

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

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

EXECUTIVE DIRECTORS

MR JIAO JIAN

Mr Jiao, aged 48, was redesignated from a Non-executive Director and Chairman to an Executive Director and Chief Executive Officer (CEO) of the Company in February 2017. He was appointed as the Chairman of the Company in August 2014. Mr Jiao was the Chairman of the Company's Governance and Nomination Committee and Risk Management Committee and a member of the Company's Remuneration Committee from October 2015 to February 2017.

Prior to his appointment as the Chairman of the Company, Mr Jiao served as a Non-executive Director of the Company from December 2010. He has also served as a director of a subsidiary of the Company. Mr Jiao was appointed as a Vice-President of CMC in December 2015 and the Chairman of China Minmetals Non-ferrous Metals Company Limited (CMN) in February 2016. He has been a director of CMN since December 2009. Mr Jiao was appointed as a director of China Minmetals H.K. (Holdings) Limited in August 2016. He has also been a director of Hunan Nonferrous Metals Holding Group Co., Ltd. (HNG) since July 2010.

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

Mr Jiao joined the CMC and its subsidiaries (CMC Group) in 1992. He was the Vice-President of CMN from 2007 to May 2010. Mr Jiao was the President of CMN from May 2010 to January 2016. He was a director and the President of China Minmetals Non-ferrous Metals Holding Company Limited (CMNH) from December 2009 to February and January 2016, respectively. Mr Jiao was the Chairman of China Minmetals Rare Earth Co., Ltd (a company listed on the Shenzhen Stock Exchange) and China Tungsten and Hightech Materials Co., Ltd. (a company listed on the Shenzhen Stock Exchange) from April 2010 to April 2014 and from April 2013 to March 2014 respectively. He was a director of Jiangxi Tungsten Industry Group Co., Ltd. (Jiangxi Tungsten) and China Minmetals Rare Earth Group Co. Ltd from November 2009 to August 2014 and from December 2011 to September 2016 respectively. Mr Jiao was also the Chairman of Album Enterprises Limited (Album Enterprises) and a director of Top Create Resources Limited (Top Create) from November 2011 to May 2016 and from February 2012 to May 2016 respectively. He resigned from being Chairman of Copper Partners Investment Co., Ltd. (Copper Partners Investment) in July 2016.

MR XU JIQING

Mr Xu, aged 49, was appointed as an Executive Director and Executive General Manager – Strategic Planning of the Company in May 2013. His role title changed to Executive General Manager – China and Group Strategy in August 2014. In July 2015, Mr Xu's role title changed to Executive General Manager – China and Strategy. Prior to that, he served as a Non-executive Director of the Company from May 2009 until May 2013 and a member of the Company's Audit Committee from July 2009 until May 2013. Mr Xu is a director of a number of subsidiaries of the Company. He was also appointed as a director of CMN in February 2016.

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

Mr Xu joined the CMC Group in 1991. He was appointed as the Manager of Finance at Minmetals Development Co. Ltd. in 1997, and was promoted to Vice General Manager in 1999 and General Manager in 2000. Mr Xu was also the General Manager of Finance at China National Nonferrous Metals Industry Trading Group Corporation from July 2001 to April 2002, and the General Manager of Finance at CMN from April 2002 to December 2007. He was the Chief Financial Officer (CFO) of CMN from December 2005 to November 2007 and the Vice-President and CFO of CMN from December 2007 until May 2013. Mr Xu was the Vice-President and CFO of CMNH from January 2011 until May 2013. He was the director of Album Enterprises and Top Create from December 2005 to October 2013 and from February 2012 to October 2013 respectively. Mr Xu was the director of Copper Partners Investment and HNG from March 2009 to December 2013 and from July 2010 to October 2013 respectively. He was also the director of CMNH and Jiangxi Tungsten from December 2009 to December 2014 and from April 2010 to August 2014 respectively.

NON-EXECUTIVE DIRECTORS

MR GAO XIAOYU

Mr Gao, aged 47, was appointed as a Non-executive Director of the Company in April 2011. He is a member of the Company's Audit Committee, Governance and Nomination Committee, Remuneration Committee and Risk Management Committee.

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

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

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

MR ZHANG SHUQIANG

Mr Zhang, aged 50, was appointed as a Non-executive Director of the Company in February 2017. He is a member of the Company's Audit Committee and the Remuneration Committee.

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

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

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

From May 2013 to December 2015, he served as the Vice President and the Chief Financial Officer of CMN and CMNH. From December 2015 to January 2016, Mr Zhang was the acting Deputy General Manager of the Finance Department of CMC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR PETER CASSIDY

Dr Cassidy, aged 71, was appointed as an Independent Non-executive Director of the Company in December 2010. He is the Chairman of the Company's Remuneration Committee. Dr Cassidy is also a member of the Company's Governance and Nomination Committee and Risk Management Committee. He was a member of the Audit Committee of the Company from February 2011 to August 2016.

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

Dr Cassidy is a metallurgical engineer with more than 45 years' experience in the resource and energy sectors, including more than 25 years as a director of major public companies. He was an independent non-executive director of Oxiana Limited (2002 to 2007); Zinifex Limited (2004 to 2008); Sino Gold Mining Limited (2002 to 2009); Lihir Gold Limited (2003 to 2010); OZ Minerals Limited (2008 to 2009); and Energy Developments Limited (2003 to 2009).

Dr Cassidy was also non-executive Chairman of Allegiance Mining NL (April to July 2008) and a director of Eldorado Gold Corporation (2009 to 2010). He was CEO of Goldfields Limited from 1995 until its merger with Delta Gold Limited in 2002 to form Aurion Gold Limited where he remained a director until 2003. Prior to 1995, Dr Cassidy was executive director – Operations of RGC Limited. He was also a member of the Board of Advice of the Monash University Division of Mining and Resources Engineering.

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

MR LEUNG CHEUK YAN

Mr Leung, aged 65, was appointed as an Independent Non-executive Director of the Company in July 2012. He is the Chairman of the Company's Governance and Nomination Committee and a member of the Company's Audit Committee and Risk Management Committee.

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

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

MS JENNIFER SEABROOK

Ms Seabrook, aged 60, was appointed as an Independent Non-executive Director of the Company in July 2015. She is the Chair of the Company's Audit Committee and a member of the Company's Remuneration Committee.

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

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

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

PROFESSOR PEI KER WEI

Professor Pei, aged 59, was appointed as an Independent Non-executive Director of the Company in July 2015. He is the Chairman of the Company's Risk Management Committee and a member of the Company's Audit Committee and Remuneration Committee.

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

Professor Pei is a Professor of Accountancy at W.P. Carey School of Business at Arizona State University. He has also acted as a consultant for a number of multi-national companies, including Motorola Inc., Intel Corporation, Bank of America Corporation, Dial Corporation, Raytheon Company, Cisco Systems Inc. and Honeywell International Inc. Professor Pei was the Executive Dean of China Programs at W.P. Carey School of Business at Arizona State University from January 2013 to June 2016 and Associate Dean from June 2003 to June 2013. He was also director of the W.P. Carey EMBA program in Shanghai and MiM Custom Corporate Program in China from June 2003 to June 2013, and Co-director of W.P. Carey DBA in Global Financial Management from June 2013 to June 2016.

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

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

BIOGRAPHIES OF SENIOR MANAGEMENT

MR ROSS CARROLL, CHIEF FINANCIAL OFFICER

Mr Carroll, aged 52, was appointed as CFO and a member of the Executive Committee of the Company in December 2015, with responsibility for Commercial and Finance, Mergers and Acquisitions, Project Delivery and Exploration. He is also a director of a number of subsidiaries of the Company.

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

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

MR MARCELO BASTOS, CHIEF OPERATING OFFICER

Mr Bastos, aged 54, has served on the Executive Committee of the Company since June 2011 in his capacity as the Chief Operating Officer with responsibility for all operating assets. He is also a director of a number of subsidiaries of the Company.

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

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

He has 31 years' international mining experience in the iron ore, gold, copper, nickel and coal sectors. He holds a Bachelor's degree in Mechanical Engineering from Federal University of Minas Gerais State, and a Master of Business Administration in Management from Fundação Dom Cabral – INSEAD associated, both in Brazil.

Mr Bastos has also been a non-executive director and a member of the Audit Committee of Iluka Resources Limited (a company listed on ASX) since February 2014.

Mr Bastos has trained at the Columbia Business School and Kellogg School of Management in the United States, Cranfield Business School in the United Kingdom and INSEAD in France. He was a member of the Western Australia Chamber of Mines and Energy from 2007 to 2008 and was the Vice-President of the Queensland Resources Council from 2008 to 2010, both in Australia. Mr Bastos was a non-executive director of Golding Contractors Pty Ltd in Queensland, Australia, from 2012 to 2013.

MR GREG TRAVERS, EXECUTIVE GENERAL MANAGER – BUSINESS SUPPORT

Mr Travers, aged 58, has served on the Executive Committee of the Company since May 2014 in his capacity as Executive General Manager – Business Support. In this role, he is responsible for Human Resources, Remuneration and Benefits, Shared Business Services, Information Technology, Legal, Supply Chain, Enterprise Risk, Safety, Health, Environment and Security functions.

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

Mr Travers has experience in the mining sector, having worked with BHP in the Minerals division for seven years, mostly in human resources roles in manganese, coal and iron ore. Following this he worked for six years at Pratt Group, a privately owned paper and packaging business, and subsequently 11 years at WMC Resources.

He is a former director of the Institute of Public Affairs and the Australian Mines and Metals Association.

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

MR TROY HEY, EXECUTIVE GENERAL MANAGER – STAKEHOLDER RELATIONS

Mr Hey, aged 46, has served on the Executive Committee of the Company since August 2013 in his capacity as the Executive General Manager – Stakeholder Relations.

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

Mr Hey has over 20 years' experience in government, media, community and investor relations, economic and public policy, industry association and communications management. He has been the Chair of the Principal Liaisons' Committee of the International Council on Mining and Metals since 2015.

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

DIRECTORS' REPORT

The Board of Directors of the Company (Board) is pleased to present the Annual Report together with the audited Financial Statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

The full details of the principal activities of the Company's subsidiaries are set out in Note 15 to the Consolidated Financial Statements.

An analysis of the Group's revenue for the year ended 31 December 2016 by reportable segments, together with their respective contributions to profit from operations (EBIT), is set out in Note 4 to the Consolidated Financial Statements.

STRATEGY AND BUSINESS REVIEW

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

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

- Growth – we acquire and discover base metals assets that transform our business. We unlock the potential value of our project pipeline;
- Operations Transformation – we develop effective plans to deliver innovative growth opportunities and improve productivity;
- People and Organisation – we provide a healthy, secure and safe workplace and a culture that values collaboration, accountability and respect; and
- Reputation – we are valued for our commitment to progress, long-term partnerships and international management.

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

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

The Company remains committed to its primary listing in Hong Kong given it is an attractive market for its major investors and to source Chinese investment, and also to its secondary listing on the ASX given that Australia is an attractive market for natural resources companies and the Company's head office is located in Melbourne, Australia. The Rights Issue completed in December 2016 was testament to the strong investor appetite for the Company's stock, with the Rights Issue being more than six times over-subscribed and share trading volumes increasing materially since this time.

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

Other than financial performance, the Group believes that a high standard of corporate social responsibility is essential for building good corporate and social relationships, motivating staff and creating a sustainable return to the Group. Discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are provided on pages 68 to 70 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the largest customer and the five largest customers in aggregate accounted for approximately 37.9% and approximately 77.1% of the total sales of the Group respectively. Purchases from the five largest suppliers to the Group in aggregate accounted for approximately 16% of the total purchases of the Group during the year.

Apart from CMC, the ultimate controlling Shareholder, having an interest of approximately 88.4% in one of the five largest customers, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors, owned more than 5% of the total number of issued shares of the Company) had any beneficial interest in any of the five largest customers or suppliers of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the Consolidated Statement of Profit or Loss in the Financial Statements on page 78 of this Annual Report.

No interim dividend was declared for 2016 (2015: nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: nil).

RIGHTS ISSUE

On 1 November 2016, the Company announced a rights issue of 2,645,034,944 rights shares at HK$1.50 per rights share on the basis of 1 rights share for every 2 existing shares held by Shareholders. The results of the Rights Issue was confirmed on 14 December 2016 and 2,645,034,944 rights shares were allotted and issued on 15 December 2016. The rights shares are ranked pari passu in all respects with the then existing shares. The gross proceeds from the rights issue was US$511.2 million, excluding share issue costs of US$7.0 million. Details of the Rights Issue are set out in the Prospectus of the Company dated 23 November 2016.

RESERVES

Movements in reserves of the Group during the year are set out in Note 23 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2016 are set out in Note 23 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in Note 13 to the Consolidated Financial Statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2016 are set out in Note 24 to the Consolidated Financial Statements.

During 2016 the Company and its subsidiaries amended existing loan agreements that include a condition imposing specific performance obligations on a controlling Shareholder and a breach of such an obligation would cause a default in respect of loans that are significant to the operations of the issuer, the details of which are set out below.

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

In accordance with the continuing disclosure requirements under Rule 13.21 of the Listing Rules, below are the details of the Group's facility agreements that contain covenants requiring specific performance obligations of the controlling Shareholders.

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

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

- CDB agreed to provide Album Resources with a US$366.0 million cash facility (Tranche A Facility). Such loan is to be repaid by instalment on the specified dates set out in the facility agreement, the last date of such repayment being 10 June 2017. Such facility has been fully drawn down; and
- BOC Sydney agreed to provide MMG Management with a US$385.0 million cash facility (Tranche B Facility). Such loan is to be repaid by instalment on the specified dates set out in the facility agreement, the last date of such repayment being 10 June 2017. Such facility has been fully drawn down.

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

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

On 27 June 2013, the Company, MMG Dugald River and certain other subsidiaries entered into a facility agreement with CDB and BOC Sydney in relation to the financing of the development and construction of the Dugald River project for an amount up to US$1 billion (Dugald River Facility). On 27 June 2016, parties to the Dugald River Facility entered into an amendment agreement pursuant to which the Dugald River Facility was reduced to US$550 million. The Dugald River Facility will now be available for drawdown until 27 June 2018, and is to be repaid by 28 June 2026. As at 31 December 2016, the amount of US$330.0 million was drawn under the Dugald River Facility.

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

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

Facilities granted by China Development Bank

Album Resources was granted by CDB a loan not exceeding US$200.0 million for a term of not more than seven years from 12 June 2009 (CDB 7-year Facility). The CDB 7-year Facility was fully drawn down and was repaid in full on 20 June 2016 and has now expired.

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

Facility granted by Bank of China Limited, Singapore Branch

Album Resources was granted by Bank of China Limited, Singapore Branch (BOC Singapore), a US$144.0 million cash facility (BOC Singapore Facility). The BOC Singapore Facility was fully drawn down and was repaid in full on 10 June 2016 and has now expired.

Under the BOC Singapore Facility, a review event would occur in the event that Album Resources ceased to be a subsidiary of CMN, which event entitled the borrower to elect to repay all outstanding monies, or if such election was not made, the lender may have declared all of the outstanding monies due and payable.

Facility granted by Industrial and Commercial Bank of China Limited

On 22 August 2012, MMG Finance Limited was granted by ICBC a US$150.0 million one-year term facility. On 20 August 2013, ICBC agreed to extend its facility for a further term of one year. On 20 May 2014, ICBC and MMG Finance Limited entered into a US$300.0 million three-year loan facility, to replace the US$150.0 million loan facility, which consists of a US$200.0 million term facility along with a US$100.0 million revolving facility for discretionary working capital. On 30 December 2016, MMG Finance Limited prepaid all amounts then outstanding under the facility with ICBC, at which point the US$200.0 million term tranche of the US$300.0 million facility was cancelled. Under the facility, an event of default will occur in the event that the Company ceases to be a subsidiary of CMN or MMG Finance Limited ceases to be a wholly owned subsidiary of the Company, and the lender may declare all outstanding loans under the facilities immediately due and payable.

Please refer to the announcements of the Company on 10 January 2011, 14 June 2012, 22 August 2012, 27 June 2013, 20 August 2013, 20 May 2014, 27 June 2016 and 23 December 2016 for further details of the facilities referred to above.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 144 to 145 of this Annual Report.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 22 to the Consolidated Financial Statements.

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately US$3.5 million.

DIRECTORS

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

CHAIRMAN

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

EXECUTIVE DIRECTORS

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

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

Mr XU Jiqing (Executive General Manager – China and Strategy)

NON-EXECUTIVE DIRECTORS

Mr GAO Xiaoyu

Mr ZHANG Shuqiang (Appointed on 15 February 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Peter CASSIDY

Mr LEUNG Cheuk Yan

Ms Jennifer SEABROOK

Professor PEI Ker Wei

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

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

In accordance with article 77 of the articles of association of the Company, Mr Guo Wenqing and Mr Zhang Shuqiang will retire at the forthcoming annual general meeting (AGM) of the Company and, being eligible, offer themselves for re-election.

In accordance with article 98 of the articles of association of the Company and Code Provision A.4.2 in Appendix 14 of the Listing Rules, Mr Jiao Jian, Mr Xu Jiqing and Mr Gao Xiaoyu will retire by rotation at the Company's forthcoming AGM and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

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

As at 31 December 2016, the interests and short positions of the Directors and the CEO of the Company or any of their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Model Code) as set out in Appendix 10 of the Listing Rules were as follows:

LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AS AT 31 DECEMBER 2016

			NUMBER OF UNDERLYING SHARES HELD		APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[3]
NAME OF DIRECTOR	NATURE OF INTEREST	NUMBER OF SHARES HELD	OPTIONS[1]	PERFORMANCE AWARDS[2]	
Andrew MICHELMORE	Personal	2,194,500	45,002,903	15,771,950	0.79
XU Jiqing	Personal	–	6,119,962	1,880,100	0.10

Notes:

1. The Directors' interests in the underlying ordinary shares of the Company are through options granted by the Company and the adjustment of options as a result of Rights Issue pursuant to the 2013 Share Option Scheme, details of which are set out under the section headed '2013 Share Option Scheme' on page 47 of this Annual Report.
2. The Directors' interests in the underlying ordinary shares of the Company are through performance awards granted by the Company and the adjustment of performance awards as a result of Rights Issue pursuant to the long term incentive equity plan adopted by the Company (Long Term Incentive Equity Plan), details of which are set out under the section headed '2015 Performance Awards' on page 50 of this Annual Report.
3. The calculation is based on the number of ordinary shares and/or underlying ordinary shares as a percentage of the total number of issued ordinary shares of the Company (that is, 7,935,104,833 shares) as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, none of the Directors or the CEO of the Company or any of their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code. In addition, none of the Directors or the CEO of the Company or any of their associates had been granted or had exercised any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) during the year ended 31 December 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2016, the interests of Directors of the Company in a business that competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules, are as follows:

1. Mr Jiao Jian, an Executive Director and CEO of the Company (formerly a Non-executive Director and Chairman of the Company) is:
   - the Vice President of CMC;
   - the Chairman and a director of CMN;
   - a director of China Minmetals H.K. (Holdings) Limited; and
   - a director of HNG.
2. Mr Xu Jiqing, an Executive Director of the Company, is:
   - a director of CMN.
3. Mr Gao Xiaoyu, a Non-executive Director of the Company, is:
   - a director and the President of CMN;
   - a director of Top Create;
   - the Chairman of Album Enterprises; and
   - the Chairman of Copper Partners Investment.

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

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

SHARE OPTION SCHEME

2013 SHARE OPTION SCHEME

Pursuant to the share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), there were 250,900,192 options outstanding as at 31 December 2016, which represented approximately 3.16% of the total number of issued shares of the Company as at 31 December 2016.

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

1. **Purpose**
   The purpose of the 2013 Share Option Scheme is to enable the Company to grant awards to selected employees of the Group as incentives or rewards for their contribution or potential contribution to the development and growth of the Group.

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

3. **Total number of shares available for issue under the 2013 Share Option Scheme**
   The total number of shares available for issue under the 2013 Share Option Scheme is 276,152,596 shares, representing approximately 3.48% of the total number of issued shares of the Company as at the date of this report.

4. **Maximum entitlement of each participant**
   No option may be granted to any eligible person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such eligible person under the 2013 Share Option Scheme (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of issued shares of the Company as at the date of such new grant. Any grant of further options above this limit shall be subject to the requirements under the Listing Rules.

5. **Period within which the shares must be taken up under an option**
   The Board may in its absolute discretion determine the period during which an option may be exercised, save that such period shall not be more than 10 years from the date on which such option is granted and accepted subject to the provisions for early termination.

6. **Minimum period for which an option must be held before it can be exercised**
   The minimum period for which an option must be held before it can be exercised is 12 months from the date of grant, subject to the Board having the right to determine a longer minimum period at the time of granting the option.

7. **Time of acceptance and the amount payable on acceptance of the option**
   No amount is payable upon application or acceptance of an option.

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

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

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

9. **The remaining life of the 2013 Share Option Scheme**
   The 2013 Share Option Scheme will terminate on 26 March 2023 unless terminated earlier by the Board.

During the year ended 31 December 2016, the movements of the options that have been granted under the 2013 Share Option Scheme were as follows:

2013 OPTIONS

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1,2,3]	EXERCISE PRICE PER SHARE[4] HK$	EXERCISE PERIOD[5]	BALANCE AS AT 1 JANUARY 2016	NUMBER OF OPTIONS: GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[6]	BALANCE AS AT 31 DECEMBER 2016
DIRECTORS									
Andrew MICHELMORE	9 April 2013[1]	2.51	9 April 2016 to 8 April 2020	28,150,200	–	–	–	(9,382,462)	18,767,738
	13 December 2016[2]	2.51	13 December 2016 to 8 April 2020	–	835,165	–	–	–	835,165
XU Jiqing	15 December 2016[3]	2.51	15 December 2016 to 8 April 2020	–	2,626,701	–	–	–	2,626,701
EMPLOYEES OF THE GROUP									
	9 April 2013[1]	2.51	9 April 2016 to 8 April 2020	110,560,940	–	–	–	(37,583,072)	72,977,868
	13 December 2016[2]	2.51	13 December 2016 to 8 April 2020	–	3,247,515	–	–	–	3,247,515
	15 December 2016[3]	2.51	15 December 2016 to 8 April 2020	–	3,296,606	–	–	–	3,296,606
TOTAL				**138,711,140**	**10,005,987**	**–**	**–**	**(46,965,534)**	**101,751,593**

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK$2.45 per share.
2. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the share option scheme, the exercise price and the number of Shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with the effect from 13 December 2016.
3. As originally contemplated in the 2013 Long Term Incentive Cash Plan, 5,923,307 Options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long Term Incentive Cash Plan pursuant to the share option scheme under the long-term incentive scheme of the Company, which was adopted on 26 March 2013 (Long Term Incentive Equity Plan), to the equity equivalent of the entitlements they would have received historically under the 2013 Long Term Incentive Equity Plan, had they received such equity-based entitlements rather than cash-based entitlements at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
4. As a result of Rights Issue, the exercise price per Share was adjusted from HK$2.62 to HK$2.51.
5. The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, reserves and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions has resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. Options lapsed due to a combination of cessation of employment and non-achievement of performance conditions before the completion of vesting period.

2016 OPTIONS

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1]	EXERCISE PRICE PER SHARE HK$	EXERCISE PERIOD[2]	BALANCE AS AT 1 JANUARY 2016	NUMBER OF OPTIONS GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AS AT 31 DECEMBER 2016
DIRECTORS									
Andrew MICHELMORE	15 December 2016	2.29	1 January 2019 to 31 December 2022	–	25,400,000	–	–	–	25,400,000
XU Jiqing	15 December 2016	2.29	1 January 2019 to 31 December 2022	–	3,493,261	–	–	–	3,493,261
EMPLOYEES OF THE GROUP									
	15 December 2016	2.29	1 January 2019 to 31 December 2022	–	120,255,338	–	–	–	120,255,338
TOTAL				**–**	**149,148,599**	**–**	**–**	**–**	**149,148,599**

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted was HK$2.25 per share.
2. The vesting period of the options is three years from 1 January 2016 of which 40% of the vested options will be subject to a 12 month exercise deferral period from 1 January 2019. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market related performance targets during the vesting period.

PERFORMANCE AWARDS

2015 PERFORMANCE AWARDS

On 19 May 2015 the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2015 performance awards). There were 77,070,006 performance awards outstanding as at 31 December 2016, representing approximately 0.97% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2016, the movements of the 2015 performance awards were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT	BALANCE AS AT 1 JANUARY 2016	NUMBER OF PERFORMANCE AWARDS GRANTED DURING THE YEAR[1]	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[2]	BALANCE AS AT 31 DECEMBER 2016
DIRECTORS							
Andrew MICHELMORE	19 May 2015	15,100,000	–	–	–	–	15,100,000
	13 December 2016	–	671,950	–	–	–	671,950
XU Jiqing	19 May 2015	1,800,000	–	–	–	–	1,800,000
	13 December 2016	–	80,100	–	–	–	80,100
EMPLOYEES OF THE GROUP							
	19 May 2015	59,187,500	–	–	–	(2,324,000)	56,863,500
	13 December 2016	–	2,554,456	–	–	–	2,554,456
TOTAL		**76,087,500**	**3,306,506**	**–**	**–**	**(2,324,000)**	**77,070,006**

Notes:

1. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, adjustments are required to be made to the number of Shares issuable upon exercise of the performance awards, as a result of the Rights Issue. Details of such adjustments are disclosed in the Company's announcement dated 14 December 2016.
2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of resources growth and financial and market-related targets. The performance period is a three-year period from 1 January 2015 to 31 December 2017. Time of vesting will be on or around April 2018. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

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

So far as is known to the Directors and CEO of the Company, as at 31 December 2016, the following persons had interests or short positions in the shares or underlying shares of the Company that were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, that were recorded in the register required to be kept by the Company under Section 336 of the SFO:

LONG POSITION IN THE SHARES OF THE COMPANY AS AT 31 DECEMBER 2016

NAME	CAPACITY	NUMBER OF SHARES HELD	APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[1]
China Minmetals Corporation (CMC)	Interest of controlled corporations [2,3,4]	5,847,166,374	73.7
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations [2,3,4]	5,847,166,374	73.7
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations [2,3,4]	5,847,166,374	73.7
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations [2,3,4]	5,847,166,374	73.7
Album Enterprises Limited (Album Enterprises)	Beneficial owner[2,4]	2,333,232,860	29.4
Top Create Resources Limited (Top Create)	Beneficial owner[3,4]	1,621,310,056	20.4
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner[4]	1,892,623,458	23.9

Notes:

1. The calculation is based on the number of ordinary shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued ordinary shares (that is, 7,935,104,833 shares) of the Company as at 31 December 2016.
2. Album Enterprises is a wholly owned subsidiary of CMN, which in turn is owned as to approximately 99.999% by CMNH and approximately 0.001% by CMCL. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5% by CMC and approximately 0.8% by China National Metal Products Co. Ltd., which in turn is a wholly owned subsidiary of CMC. Accordingly, CMN, CMNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the 2,333,232,860 shares of the Company held by Album Enterprises as at 31 December 2016.
3. Top Create is a wholly owned subsidiary of CMN. Accordingly, CMN, CMNH, CMCL and CMC were by virtue of the SFO deemed to be interested in the 1,621,310,056 shares of the Company held by Top Create as at 31 December 2016.
4. As disclosed in the Company's announcement dated 7 January 2016, a conditional sale and purchase agreement (SP Agreement) dated 31 December 2015 was entered into among Album Enterprises and Top Create as vendors and Minmetals HK as purchaser in relation to the share transfer under which each of Album Enterprises and Top Create has agreed to transfer all its shares in the Company, that is, approximately 43.04% and 30.65%, respectively, to Minmetals HK (Share Transfer). The consideration for the Share Transfer will be settled by Minmetals HK issuing new shares to Album Enterprises and Top Create in proportion to their respective existing shareholdings in the Company. As at 31 December 2016, the Share Transfer is in progress and Album Enterprises, Top Create and Minmetals HK held approximately 29.4%, 20.4% and 23.9% of the shares of the Company respectively. Upon completion of the Share Transfer, Minmetals HK will hold in total approximately 73.7% of the shares of the Company and be owned by Album Enterprises, Top Create and CMCL as to approximately 38.95%, 22.01% and 39.04%, respectively.

Save as disclosed above, as at 31 December 2016, there was no other person who was recorded in the register of the Company, as having an interest or short positions in the shares or underlying shares of the Company who was required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016 the Group had the following material connected transactions, details of which are set out below:

1. On 23 January 2015 MMG Exploration Pty Ltd entered into an option and joint venture agreement (Option and Joint Venture Agreement) with Abra Mining Pty Ltd (Abra Mining) granting MMG Exploration Pty Ltd an option to form an unincorporated joint venture with Abra Mining in relation to the Abra Mining exploration project located in Western Australia, and the option to acquire a mining lease at a price to be agreed. On 19 April 2016, the Company announced that it had elected not to exercise the option and had terminated the Option and Joint Venture Agreement.

   During the option period MMG Exploration had the exclusive right to carry out exploration on the tenements at its sole discretion and had the obligation to, among other things, keep the tenements in good standing. Required expenditure to maintain the tenements in good standing in the amount of approximately A$0.9 million (equivalent to approximately US$0.7 million) was spent in 2016 up to the date of its termination on 19 April 2016.

   Abra Mining is a wholly owned subsidiary of Hunan Non-Ferrous Metals Corporation Ltd, which is an indirectly owned subsidiary of CMC, the ultimate controlling Shareholder. As Abra Mining is an associate of CMC it is therefore a connected person of the Company under the Listing Rules and the Option and Joint Venture Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

2. On 14 December 2016 the Company announced that, as a result of the Rights Issue and pursuant to the terms of the Long Term Incentive Equity Plan, adjustments were required to be made to the number of Shares issuable upon exercise of performance awards that were granted on 19 May 2015. As a consequence, the Company had granted additional performance awards to Executive Directors of the Company. Of the total 752,050 performance awards granted, 671,950 were granted to Mr Andrew Michelmore, CEO and an Executive Director of the Company at that time.

   Based on the closing price of HK$2.28 per share as quoted on the Hong Kong Stock Exchange on 13 December 2016, the market value of the underlying award shares that are the subject of the total performance awards granted to Mr Andrew Michelmore of 15,771,950, was approximately HK$36.0 million (equivalent to approximately US$4.6 million).

3. On 23 December 2016 MMG Finance Limited entered into a one-year loan facility agreement with Album Enterprises pursuant to which MMG Finance Limited agreed to make available to Album Enterprises up to US$95 million for the working capital requirements of Album Enterprises (Album Loan Facility). During the year ended 31 December 2016, a loan of US$95 million was advanced under the Album Loan Facility. This loan was repaid, with accrued interest, by Album Enterprises on 24 January 2017.

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

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group had the following material continuing connected transactions, details of which are set out below:

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

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

   In accordance with the Las Bambas CMN Copper Sale Framework Agreement, the term of the Las Bambas CMN Copper Concentrate Offtake Agreement is for the term of the life of the Las Bambas mine. The annual caps with respect to the Las Bambas CMN Copper Sale Framework Agreement are set as a fixed quantity of copper contained in copper concentrate from the Las Bambas Project to be sold by MMG SA to members of the CMN Group in a year, which for the year commencing 1 January 2016 was set at 354,000 tonnes. During the year ended 31 December 2016 approximately 176,445 tonnes of copper contained in copper concentrate were sold by MMG SA to members of the CMN Group under the Las Bambas CMN Copper Concentrate Offtake Agreement.

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

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

   The annual cap for sales under the Copper Cathode Sales Framework Agreement for the year ended 31 December 2016 was US$188 million. The total value of sales of copper cathode by the Company to CMN during the year ended 31 December 2016 was approximately US$127.5 million.

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

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

   The term of the CITIC Copper Concentrate Offtake Agreement is for the term of the life of the Las Bambas mine. The annual caps with respect to the CITIC Copper Sale Framework Agreement are set as a fixed quantity of copper contained in copper concentrate from the Las Bambas Project to be sold by MLB to CITIC in a year, which for the year commencing 1 January 2016 was set at 162,000 tonnes. During the year ended 31 December 2016 approximately 75,070 tonnes of copper contained in copper concentrate were sold by MLB to CITIC under the CITIC Copper Concentrate Offtake Agreement.

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

4. On 1 March 2016 the Company announced that it had entered into an agreement with CMN in relation to the sale of copper concentrate by the Company to the CMN Group (Copper Concentrate Sales Framework Agreement) for the period from 1 March 2016 to 31 December 2016.

   The annual cap for sales under the Copper Concentrate Sales Framework Agreement for the year ended 31 December 2016 was US$45.0 million. The total value of sales of copper concentrate by the Company to CMN during the year ended 31 December 2016 was approximately US$15.6 million.

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

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

   The annual cap for purchases under the Shipping Framework Agreement for the year ended 31 December 2016 was US$5.0 million. The total value of purchases of shipping services by the Company from Minmetals Logistics during the year ended 31 December 2016 was approximately US$1.6 million.

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

6. On 20 December 2010 MMG Management, a wholly owned subsidiary of the Company, entered into an agreement for the supply of goods with Minmetals Australia Pty Ltd pursuant to which MMG Management agreed to purchase hot roll-forged and hand-forged grinding media from Minmetals Australia Pty Ltd (Minmetals Supply Agreement) for a term of two years commencing 20 December 2010.

   Since December 2012 the Minmetals Supply Agreement has been renewed each year for a further year effective from 1 January, for each of the 2013, 2014 and 2015 financial years. On 28 December 2015 MMG Management agreed to further renew the Minmetals Supply Agreement for a further year effective from 1 January 2016. The maximum aggregate amount to be paid under the Minmetals Supply Agreement in 2016 was US$2.0 million. For the year ended 31 December 2016, there were transactions under the Minmetals Supply Agreement to the value of approximately US$1.2 million.

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

Upon the completion of the acquisition of Minerals and Metals Group on 31 December 2010 (Completion Date), the following material continuing transactions became continuing connected transactions with effect from the Completion Date (Grandfathered Continuing Connected Transactions) and details of these transactions for the year ended 31 December 2015 are set out below:

7. On 10 June 2010 MMG Management, a wholly owned subsidiary of the Company, entered into a loan facility agreement with Album Enterprises (Grandfathered MMG Loan Facility) pursuant to which MMG Management agreed to make loan facilities available to Album Enterprises on an uncommitted basis. During the year ended 31 December 2016, no amounts were advanced or outstanding under the Grandfathered MMG Loan Facility.

   Album Enterprises is a substantial Shareholder, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Grandfathered MMG Loan Facility constitutes a Grandfathered Continuing Connected Transaction for the Company under Chapter 14A of the Listing Rules, and the Company will comply with Listing Rule 14A.60 in respect of this transaction.

8. MMG Laos Holdings is a party to a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos dated 15 June 1993 (as amended). The MEPA, among other things, grants a licence to operate the project contemplated by the MEPA, being the Sepon project in Laos, which licence terms are in addition to rights granted by relevant Lao law in respect of mining operations. In accordance with the terms of the MEPA, LXML was established and incorporated in Laos to conduct the activities contemplated under the MEPA. Under the MEPA, LXML is appointed the sole contractor for the Government of Laos with respect to the area on which the Sepon project is located. The MEPA sets out the terms and conditions for LXML's mining and processing operations, and exploration activity, with respect to gold and copper in Laos, and confirms the taxes payable by LXML and concessions granted by the Government of Laos to LXML in respect of such taxes. For the year ended 31 December 2016, the actual amount payable under the MEPA was approximately US$22.8 million, being an aggregated amount of all taxes and royalties payable to the Government of Laos pursuant to the MEPA.

   The Government of Laos holds a 10% equity interest in LXML, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the transactions under the MEPA constitute Grandfathered Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules. The transactions between LXML and the Government of Laos became connected transactions for the Company on 31 December 2010 following the acquisition of Minerals and Metals Group by the Company, and the Company will comply with Listing Rule 14A.60 in respect of these transactions subject to Listing Rule 14A.101 and the terms of the waiver of the Listing Rules discussed below.

9. On 26 February 2004 LXML, a 90% owned subsidiary of the Company, entered into a Power Purchase Agreement with Electricite Du Laos (EDL), pursuant to which LXML agreed to purchase energy from EDL for the purposes of operating the Sepon mine in Laos (Power Purchase Agreement). The total consideration payable under the Power Purchase Agreement is subject to levels of energy consumption which vary from year to year. The Power Purchase Agreement was amended by agreement of the parties in July 2012 to include the provision by EDL of operations and maintenance services to LXML, including maintenance of transmission lines and the power substation. For the year ended 31 December 2016, the actual amount payable under the Power Purchase Agreement was approximately US$30.8 million.

   EDL is a state-owned corporation operated by the Ministry for Energy and Mines, which is a department of the Government of Laos. The Government of Laos is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Power Purchase Agreement constitute Grandfathered Continuing Connected Transactions for the Company under Chapter 14A of the Listing Rules, and the Company will comply with Listing Rule 14A.60 in respect of these transactions subject to the terms of Listing Rule 14A.101 and the waiver of the Listing Rules discussed below.

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

WAIVER OF LISTING RULES

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

The Laos Waiver is subject to certain conditions, including that the Company is required to disclose details of connected transactions and continuing connected transactions with the Government of Laos and its associates in the Company's annual reports under Rule 14A.71 of the Listing Rules. The continuing connected transactions described above in items 8 and 9 have been reported in accordance with these requirements.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions described above for the year ended 31 December 2016 have been reviewed by the Independent Non-executive Directors of the Company. As noted above, the Independent Non-executive Directors of the Company were not required to review continuing connected transactions that were subject to the Laos Waiver.

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

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

(b) either on normal commercial terms or better; and

(c) in accordance with the respective terms of the Las Bambas CMN Copper Sale Framework Agreement, the Las Bambas CMN Copper Concentrate Offtake Agreement, the Copper Cathode Sales Framework Agreement, the CITIC Copper Concentrate Offtake Agreement, the Copper Concentrate Sales Framework Agreement, the Shipping Framework Agreement, the Minmetals Supply Agreement and the MEPA that are fair and reasonable, in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and with reference to Practice Note 740 'Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules' issued by the Hong Kong Institute of Certified Public Accountants. The auditor was not required to review continuing connected transactions that were subject to the Laos Waiver. The auditor has issued their unqualified letter containing its conclusion in respect of the continuing connected transactions for the year ended 31 December 2016 disclosed above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

In addition, the auditor of the Company has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions (other than those continuing connected transactions that were subject to the Laos Waiver) for the year ended 31 December 2016:

(a) have not been approved by the Board;

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

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

(d) the Las Bambas CMN Copper Sale Framework Agreement, the Las Bambas CMN Copper Concentrate Offtake Agreement, the Copper Cathode Sales Framework Agreement, the CITIC Copper Concentrate Offtake Agreement, the Copper Concentrate Sales Framework Agreement, the Shipping Framework Agreement and the Minmetals Supply Agreement have not exceeded the respective annual caps as disclosed in the announcements of the Company.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

On 22 July 2014 Top Create, a subsidiary of CMN, a controlling Shareholder, extended a loan facility in the principal sum of US$2,262.0 million to MMG SA for a term of four years for the purpose of acquiring the Las Bambas Project. Such loan facility was exempt from the announcement and reporting requirements of the Listing Rules with respect to connected transactions on the basis that it was unsecured and on normal commercial terms.

Particulars of other contracts of significance that exist between the Company (or one of its subsidiary companies) and a controlling Shareholder (or any of its subsidiaries) are set out under Connected Transactions on pages 51 to 54 of this Annual Report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business are set out in Note 29 to the Consolidated Financial Statements.

Related party transactions set out in Notes 29(a) and 29(d) to the Consolidated Financial Statements also constitute connected transactions and continuing connected transactions of the Company under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules except for those transactions that are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMOLUMENT POLICY

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

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

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

RETIREMENT SCHEMES

Details of the Group's retirement schemes are set out in Note 11 to the Consolidated Financial Statements.

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors and senior management of the Company are set out on pages 37 to 41 of this Annual Report.

AUDITOR

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

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

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 58 to 67 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE BALANCE SHEET DATE

SALE OF GOLDEN GROVE

The Group completed the sale of Golden Grove to EMR capital on 28 February 2017 for gross proceeds of US$210.0 million. All completion requirements were met on 28 February 2017 and the Group will cease to consolidate Golden Grove from that date. The sale agreement provides EMR Capital the economic benefit of operations at Golden Grove from 1 January 2017 to 28 February 2017 by a post settlement adjustment to the sale price. An estimated net profit after tax of between US$10.0 million and US$30.0 million will be recognised from the disposal of the Golden Grove in the Group's 2017 financial year.

SALE OF CENTURY MINE

On 28 February 2017 the Group entered into agreements with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd (Century Bull) who is independent to the Group to effect the disposal of assets and infrastructure associated with the Century mine. The disposal will benefit the Group by allowing it to remain focused on the development and operation of world class mining assets, through transferring the assets and transferring rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites whilst capping the Groups future expected liabilities related to the Century mine. The sale received unconditional approval from the MMG board in February 2017 and the sale completed on 28 February 2017. Century Bull is a specialist in economic rehabilitation of mine sites while using existing infrastructure and remnant mineralisation (zinc bearing tailings) to generate ongoing economic contribution. As legal owner of the Century mine, Century Bull has assumed overall accountability for rehabilitation and care for country responsibilities, in consultation with Native Title groups.

As at 31 December 2016, the book value of Century amounted to a net liability of US$148.2 million including rehabilitation liabilities of approximately US$317.0 million. As a result of the sales agreements the Group has agreed to provide a bank guarantee facility of A$193 million (approximately US$148.1 million) for the benefit of Century Bull until 31 December 2026. The guarantees have been procured to support certain obligations (Principal Obligations) Century is required to perform in operating the Century Mine business including rehabilitation activities. Century Bull is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees.

The Group will recognise the fair value of the guarantee as a financial liability until expiry of the guarantee period which is capped at a maximum of A$193 million (approximately US$148.1 million). Century Bull must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In addition the Group will make an additional contribution of A$34.5 million (approximately US$26.5 million) over three years, to provide short term support to Century Bull during their transition period in respect to their obligations around site upkeep and environmental maintenance and monitoring. The Group will also establish a special purpose trust of A$12.1 million (approximately US$9.3 million), managed independently by Equity Trustees to support Century Bull in meeting Century's existing obligations and agreed community projects for the benefit of Lower Gulf communities.

The Group expects an estimated net loss after tax of between US$5.0 million and US$20.0 million in the 2017 financial year as a result of the transaction.

Other than the matters outlined above, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

By order of the Board
GUO Wenqing
Chairman
8 March 2017

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, except for the deviations from code provisions A.4.1 as explained under the section headed 'Re-election of Directors'.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry was made with all the Directors and all confirmed that they have complied with the requirements set out in the Model Code and the Securities Trading Model Code during the year ended 31 December 2016.

BOARD

COMPOSITION

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

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

Executive Directors

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

Mr XU Jiqing (Executive General Manager – China and Strategy)

Non-executive Directors

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

Mr GAO Xiaoyu

Mr Zhang Shuqiang
(Appointed on 15 February 2017)

Independent Non-executive Directors

Dr Peter CASSIDY

Mr LEUNG Cheuk Yan

Ms Jennifer SEABROOK

Professor PEI Ker Wei

The current Board possesses an appropriate balance of skills, experience and diversity of perspectives relevant to the management of the Company's business. The Directors' biographical information is set out on pages 37 to 41 under the section headed 'Directors and Senior Management' of this Annual Report.

ROLE AND FUNCTION

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

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

Board meetings are held regularly, approximately six times a year, and are also held on an ad hoc basis as required by business needs. Regular Board meetings and ad hoc Board meetings are attended by a majority of the Directors in person or through electronic means of communication.

During the year ended 31 December 2016, other than resolutions passed in writing by all the Directors, the Company held six regular Board meetings and two ad hoc Board meetings. The Company also held one AGM on 25 May 2016.

The attendance of each Director at the Board meetings and the AGM during the year ended 31 December 2016 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a Board member.

DIRECTORS	NUMBER OF MEETINGS ATTENDED BOARD MEETINGS	AGM
EXECUTIVE DIRECTORS		
Andrew MICHELMORE[1]	8/(8)	1/(1)
XU Jiqing	8/(8)	1/(1)
NON-EXECUTIVE DIRECTORS		
JIAO Jian (Chairman)[2]	8/(8)	1/(1)
GAO Xiaoyu	8/(8)	1/(1)
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Peter CASSIDY	8/(8)	1/(1)
LEUNG Cheuk Yan	7/(8)	1/(1)
Jennifer SEABROOK	8/(8)	1/(1)
PEI Ker Wei	8/(8)	1/(1)

Notes:

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

BOARD DIVERSITY

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

In designing the Board's composition, the Company has considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

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

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

CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board currently is Mr Guo Wenqing and the CEO of the Company is Mr Jiao Jian. The roles of the Chairman of the Board and the CEO of the Company are segregated to ensure their respective independence, accountability and responsibility.

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

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

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

EXECUTIVE DIRECTORS AND EXECUTIVE COMMITTEE

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

The members of the Executive Committee are:

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

XU Jiqing (Executive General Manager – China and Strategy and Executive Director);

Ross CARROLL (CFO);

Marcelo BASTOS (Chief Operating Officer);

Greg TRAVERS (Executive General Manager – Business Support); and

Troy HEY (Executive General Manager – Stakeholder Relations).

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of Shareholders. The Board has four Independent Non-executive Directors and two of them have accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-executive Directors a confirmation of independence for the year ended 31 December 2016 pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

RE-ELECTION OF DIRECTORS

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

In accordance with the Company's articles of association, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next AGM (in the case of an addition to the Board), and thereafter be subject to retirement by rotation at least once every three years at the AGM. Dr Cassidy, who was appointed by the Board on 31 December 2010 to fill a casual vacancy, is also subject to retirement from the Board by rotation at least once every three years at the AGM. Since Dr Cassidy has been appointed, he has been re-elected by the Shareholders at three annual general meetings of the Company. These annual general meetings were held in 2011, 2013 and 2015.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

DIRECTORS	TYPES OF TRAINING (NOTE)
EXECUTIVE DIRECTORS	
Andrew MICHELMORE (resigned on 15 February 2017)	1, 2, 3
XU Jiqing	1, 2, 3
NON-EXECUTIVE DIRECTORS	
JIAO Jian (Redesignated from a Non-executive Director and Chairman to an Executive Director and CEO of the Company on 15 February 2017)	1, 2, 3
GAO Xiaoyu	1, 2, 3
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY	1, 2, 3
LEUNG Cheuk Yan	1, 2, 3
Jennifer SEABROOK	1, 2, 3
PEI Ker Wei	1, 2, 3

Notes:

1. Attending seminars and/or conferences and/or forums and/or in-house trainings.
2. Delivering speeches/presentations at seminars and/or conferences and/or forums.
3. Reading journals, documentaries, books, newspapers relating to the director's duties and responsibilities.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

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

THE BOARD COMMITTEES

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

AUDIT COMMITTEE

The Audit Committee currently comprises five members including three Independent Non-executive Directors, namely Mr Leung Cheuk Yan, Ms Jennifer Seabrook and Professor Pei Ker Wei and two Non-executive Directors, namely Mr Gao Xiaoyu and Mr Zhang Shuqiang. Mr Zhang Shuqiang was appointed as a member of the Audit Committee on 15 February 2017. Ms Seabrook is the Chair of the Audit Committee. Dr Peter Cassidy was a member of the Audit Committee until 16 August 2016.

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

The duties of the Audit Committee include to monitor the relationship with the Company's external auditor, review the financial information of the Company (including its treasury and tax functions) and have oversight over the Group's financial reporting system. The terms of reference of the Audit Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2016, the Audit Committee held five meetings. The Committee reviewed financial reporting matters, the Company's Financial Statements, annual and interim reports, the management letter from the auditor of the Company, the connected transactions and the continuing connected transactions entered into by the Group and the audit scope and fees for the year ended 31 December 2016. It also reviewed the appointment of new external auditor and transition during the year, external and internal audit plans and audit findings and the program for Audit Committee activities for 2016. The Committee discussed with senior management the independence of the auditors and the effectiveness of the audit process.

The attendance of each member at the Audit Committee meetings during the year ended 31 December 2016 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Audit Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
NON-EXECUTIVE DIRECTOR	
GAO Xiaoyu	5/(5)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY[1]	4/(4)
LEUNG Cheuk Yan	5/(5)
Jennifer SEABROOK (Chair)	5/(5)
PEI Ker Wei	5/(5)

Note:

1. Ceased as a member of the Audit Committee on 16 August 2016.

REMUNERATION COMMITTEE

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

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

During the year ended 31 December 2016, the Remuneration Committee held six meetings. The Committee reviewed the annual remuneration of Directors and senior management, the senior management market remuneration, 2016 and 2017 long term incentive plans, 2016 short term incentive plan and the renewal of Director contract. It also assessed the independence of Independent Non-executive Directors, the performance of the Group under the 2013 long term incentive equity plan, the performance of the senior management and the CEO retirement considerations and succession.

The attendance of each member at the Remuneration Committee meetings during the year ended 31 December 2016 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Remuneration Committee.

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

Note:

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

GOVERNANCE AND NOMINATION COMMITTEE

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

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

During the year ended 31 December 2016, the Governance and Nomination Committee held three meetings. The Committee reviewed the Disclosure Framework, the Mineral Resources and Ore Reserves Committee Charter and code of conduct register. It also reviewed the 2016 Disclosure Report, the annual review and evaluation of the Board, Board Committees and performance, the Directors and senior management training program, the Corporate Governance Report for inclusion in the annual report, the proposed program for Governance and Nomination Committee activities for 2017 and the replacement update of the CEO arising from his resignation.

The attendance of each member at the Governance and Nomination Committee meetings during the year ended 31 December 2016 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Governance and Nomination Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
NON-EXECUTIVE DIRECTOR	
JIAO Jian (Chairman)[1]	2/(3)
INDEPENDENT NON-EXECUTIVE DIRECTORS	
Peter CASSIDY	3/(3)
LEUNG Cheuk Yan	3/(3)

Note:

1. Ceased as the Chairman of the Governance and Nomination Committee and was replaced by Mr Leung Cheuk Yan on 15 February 2017.

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

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

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

RISK MANAGEMENT COMMITTEE

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

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

During the year ended 31 December 2016, the Risk Management Committee held four meetings. The Committee reviewed the Risk Management Framework including the Risk Management Standard, risk management reports and material risk analysis. It also reviewed the internal audit reports and plans, Insurance Program including the directors and officers insurance policy and the programs for Risk Management Committee activities for 2016 and 2017.

The attendance of each member at the Risk Management Committee meetings during the year ended 31 December 2016 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Risk Management Committee.

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

Note:

1. Ceased as the Chairman of the Risk Management Committee and was replaced by Professor Pei Ker Wei on 15 February 2017.

SAFETY, HEALTH, ENVIRONMENT AND COMMUNITY COMMITTEE

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

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing all information and representations contained in the Financial Statements for the year ended 31 December 2016 as disclosed in this Annual Report. The Directors consider that the Financial Statements have been prepared in conformity with Hong Kong Financial Reporting Standards (HKFRS) issued by the Hong Kong Institute of Certified Public Accountants and the Companies Ordinance, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgement of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquiries, were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Please refer to Note 2.1 to the Consolidated Financial Statements for further details.

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

The statement of the Company's auditor regarding its responsibilities for the Financial Statements is set out in the Independent Auditor's Report on pages 71 to 76 of this Annual Report.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is entrusted with overall responsibility for establishing and maintaining the Group's risk management and internal control system and reviewing its effectiveness to safeguard the Group's assets and to protect Shareholders' interests. The Board, through the Risk Management Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control systems. Information about the Risk Management Committee, including its work in 2016, is set out under the section headed 'Risk Management Committee' on page 63 of this Annual Report.

The management throughout the Group maintains and monitors the risk management and internal control system on an ongoing basis. During the year, the Group engaged an international independent external professional consultant to perform the internal control reviews over the Group's operations.

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

AUDITOR'S REMUNERATION

An analysis of the remuneration of the external auditor, Deloitte (which for these purposes includes any entity under common control, ownership or management with the external auditors or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally), for the year ended 31 December 2016 is set out as follows:

SERVICES RENDERED	FEE PAID/ PAYABLE 2016 US$'000
Statutory audit services	1,350.0
Other audit services	577.7
NON-AUDIT SERVICES	
Other tax services	9.0
Other services	153.7
	2,090.4

COMPANY SECRETARY

Ms Leung Suet Kam Lucia was appointed as Company Secretary of the Company in June 2001. She is a fellow of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms Leung assists the Board by ensuring good information flow within the Board and that the Board policy and procedures including those on governance matters are followed. All the Directors are entitled access to the advice and services of the Company Secretary. She reports to the Chairman of the Board and also the CEO. Ms Leung has attended various professional seminars during the year ended 31 December 2016, which exceed the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Shareholders holding at least 5% of the total voting rights of all Shareholders having a right to vote at the Company's general meeting can deposit a written request to convene a general meeting at Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary or send the written request to the Company by fax at +852 2840 0580.

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

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

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

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

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

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

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

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

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

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

The written request must be deposited at Units 8501–8503, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary or send to the Company by fax at +852 2840 0580 not later than six weeks before the AGM to which the requests relate or if later, the time at which notice is given of that meeting.

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

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

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

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

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

The written notice must:

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

The notice should be lodged for a period of seven clear calendar days commencing from the date of dispatch of the AGM/general meeting notice and no later than seven clear calendar days prior to the date of AGM/general meeting.

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

CORPORATE COMMUNICATIONS

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

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

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

INVESTOR RELATIONS

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

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

CORPORATE WEBSITE

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

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

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

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

SHAREHOLDER MEETINGS

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

KEY STAKEHOLDER RELATIONSHIPS

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

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

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

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

MMG has relationships with a range of customers globally for the sale of its products. The sales and marketing of all products is managed by a Group Sales and Marketing function that negotiates all terms and conditions at arm's length arrangements. All prices are referenced to LME or London Bullion Market Association market prices for the appropriate product sold. Further information is discussed in the Management Discussion and Analysis on pages 19 to 36 of this Annual Report.

Information on MMG's approach to environmental, social and governance issues will be reported in the 2016 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

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

CONSTITUTIONAL DOCUMENTS

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

ASX SECONDARY LISTING

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH AND PERFORMANCE

The Company operates and develops copper, zinc and other base metal projects across Australia, the Democratic Republic of the Congo, Lao PDR and Peru. We also have exploration projects and partnerships across Australia, Africa and the Americas. We had five operating mines in 2016 (Golden Grove, Rosebery, Las Bambas, Kinsevere and Sepon), with our Century mine ceasing production in early January 2016 and our Dugald River Mine still in development.

The Company places a high priority on its Environmental, Social and Governance (ESG) responsibilities, which supports its growth strategy by helping it to maintain its licence to operate, manage reputational and regulatory risks, control costs, build strong stakeholder relationships and attract and retain talented employees.

ESG REPORTING AND MATERIALITY

The Company conducts a GRI aligned materiality assessment to ensure that ESG issues which matter most to our stakeholders are reported. Our sustainability report provides an annual update on our approach and performance across our material sustainability issues. Elements of our sustainability reports are externally assured in line with our commitments as a member of the International Council on Mining and Metals (ICMM). Our sustainability reports are available on our company website at www.mmg.com. Further, information on MMG's approach to health and safety, social development, environmental performance, key stakeholder relationships and compliance with laws and regulations will be reported in the 2016 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter 2017.

GOVERNANCE

The Company maintains policies to meet both Board requirements and external obligations. The Sustainability Policy aligns with the ICMM's ten sustainable development principles. The Company's approach is also guided by our Corporate Governance Policy, People Policy, Shareholder Communication Policy, Safety, Health, Environment and Community (SHEC) Policy, and Quality and Materials Stewardship Policy.

The Company utilise business wide standards to define the minimum requirements to manage material risks, meet legal requirements and external obligations, and to create and preserve competitive advantage and organisational effectiveness. These standards provide the basis for sustainable operations through their deployment at sites and are aligned to the ICMM's ten principles of sustainable development and the eight ICMM Position Statements.

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

Our assurance program focuses on verifying that the critical controls required to manage material risk events are implemented and effective.

COMPLIANCE

The Governance and Nomination Committee is responsible for developing and reviewing the Group's policies and practices on corporate governance, the Code of Conduct, monitoring the Group's compliance with the Listing Rules and other applicable laws. Our SHEC Committee is a management committee that monitors compliance with the Group's policies, standards and regulatory compliance relating to safety, health, environment and community.

BUSINESS ETHICS

The Company values and Code of Conduct set out our commitment to operating in a responsible manner. We expect all our employees, contractors and suppliers to integrate these standards of behaviour into their working practices. The Company Code of Conduct covers areas such as conflict of interest, fraud, anti-corruption and legal compliance and its application is overseen by our Code of Conduct Committee, chaired by the Chief Operating Officer. MMG also engages an independent confidential whistleblower service which is available to all employees globally in their local language. The Company also has an Anti-Corruption Framework and Whistleblower Framework which form part of the Corporate Legal Compliance Standard. In 2016, no significant non-compliances with the Company's Code of Conduct were identified.

DEVELOPING AND SUPPORTING OUR WORKFORCE AND PROTECTING LABOUR RIGHTS

The Company has a number of employment and people standards including the Capability and Training Standard, People Availability Standard, People Performance Standard, Remuneration Standard, Relocation and Transfer Standard Leave, Parental Leave Standard and Redundancy Standard. These standards define our minimum requirements for the management of matters relating to compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity and diversity and anti-discrimination.

The Company chooses the best people for each position and rewards them competitively with salary and benefits that are in line with market conditions and their contribution to our overall business success. The Company is committed to sharing its success with the communities through local employment opportunities and by investing in training and education to help local residents transition to careers in mining or related fields.

The Company provides its people with the opportunity to develop their skills, expertise and experience to optimise their contribution to our business and to develop their careers. The Company has two broad streams of vocational training. These are operational training and competency verification to drive efficiencies and manage material business risks and professional development to enhance leadership capabilities and support career pathways. The Company undertakes extensive workforce and community engagement on, and offers support to individuals affected by, any business decisions to downsize or close operations.

The Company aims to provide safe workplaces that are free of discrimination and harassment, and which foster diversity and inclusivity. The Company also has a global Diversity and Inclusion Council which exists to shape MMG's organisational culture towards being a diverse and inclusive one that increases MMG's comparative advantage in attracting and retaining talent, in addition to delivering business benefits associated with greater levels of collaboration.

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

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

In 2016, there were no confirmed non-compliance incidents or grievances in relation to labour practices that have had a significant impact on the Group.

COMMUNITY ENGAGEMENT

We recognise that strong stakeholder engagement from exploration through to closure is critical in making business decisions which are responsive to the needs and expectations of our host communities and their governments. We aim to partner with our communities and strive to maintain socially and culturally inclusive and proactive communication with stakeholders regarding future plans and performance. MMG's commitment to the ICMM Sustainable Development Principles, including the commitment to community dialogue and position on free, prior and informed consent regarding indigenous people, guides our approach to stakeholder engagement. In 2016, there were no confirmed non-compliance incidents or grievances in relation to human rights that have had a significant impact on the Group.

SUPPLY

The Company's supplier engagement and contract award process includes a comprehensive assessment across a range of criteria including commercial, social, safety, environment, quality and technical capabilities. During supplier selection we also assess a range of non-financial criteria including local community training and commitment to local employment.

As part of our supplier engagement process we seek formal agreement from suppliers to comply with our Code of Conduct and Anti-Corruption policy as well as other relevant Company standards, policies and procedures, including those related to human rights and the environment. In 2016 our contract management procedures saw 42 managed suppliers regularly reporting on contract performance measures relating to and working in partnership on improvement opportunities. In 2017 the contract management processes will be extended further to include our key Las Bambas suppliers.

PRODUCT STEWARDSHIP

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

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

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

In 2016, the Group was not aware of any incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services, that have had a significant impact on the Group.

HEALTH AND SAFETY

MMG's first value is safety and we continually strive to eliminate incidents and injuries at our workplaces. All of the Company's standards and procedures collectively define the way work should be planned, assigned and executed to achieve safe outcomes. These standards include those focused on fatal risk management, occupational health and hygiene, safe task management, contract management (Supply Standard), project management (Project Standard), plant and equipment maintenance (Production and Maintenance Standard), crisis and emergency management (People and Asset Protection Standard) and learning from events (Reporting Standard). Our TRIF was 1.9 per million hours worked in 2016, representing a 9.6% year on year improvement since the end of 2012.

Despite our hard work to embed a committed safety mindset and to ensure that supporting behaviours, cultures and processes are in place across every area of our operations, we must sadly report that we had two fatalities in 2016. An employee of a logistics contractor in Peru was fatally injured in a road accident in July. Further, an employee of a contractor in Peru was fatally injured by an uncontrolled release of water at our Las Bambas operation.

MMG was issued with three safety related fines in 2016 that related to incidents at the Las Bambas site that occurred prior to MMG taking ownership of the site. MMG is disputing all of these fines. One fine was also incurred at Las Bambas for failure to have an appropriate safety sign in place. We received one prohibition notice which required us to cease cement-backfilling of stopes at our Rosebery operation for a month while we revised our operating procedures for this activity. This did not cause a material impact on our overall operations.

ENVIRONMENT

MMG aims to minimise its environmental footprint and its use of natural resources. The MMG Environment Standard defines minimum requirements for the management of water, mineral and non-mineral wastes, land and biodiversity, air, noise and vibration and energy and greenhouse gas emissions. All MMG sites are obliged to comply with the requirements of the Standard.

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

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

Tailings and waste rock management, water access and use, and land management and rehabilitation are our most material environmental issues. Data, commentary and case studies on these topics are provided in our annual Sustainability Report. Air and greenhouse gas emissions, energy use and generation of hazardous and non-hazardous waste are not covered by our materiality based annual reporting processes. Please refer to our website www.mmg.com for an overview of our management approach on these issues.

In 2016, MMG received no fines or penalties related to environmental management at its operations. During different inspections executed by the environmental regulator at Las Bambas, three main findings related to the tailings channel, reagent storage and contingency concentrate storage were identified. The environmental regulator notified Century of one non-compliance identified during a site inspection and one non-compliance in relation to environmental reporting. Las Bambas and Century are working to closeout corrective actions for these findings and non-compliances to the satisfaction of the regulator. These findings and non-compliances have not had, and are not expected to have, a material impact on operational activities nor the environment. In 2016, erosion of a sedimentation dam wall designed to collect rain and groundwater diverted from the Kinsevere mine caused the release of the water onto land within the mining lease. The regulator has been notified and preliminary rectification works have commenced. MMG will continue to update the regulator.

To prevent any future tailings spillage to the environment, and at the request of the environmental regulator, Sepon continued to replace their tailings pipeline, completing 10.7km of the 11.5km pipeline at the end of January 2017.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of MMG Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 143, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters - continued

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
IMPAIRMENT ASSESSMENT OF NON-FINANCIAL ASSETS AND GOODWILL	
We identified the impairment assessment of non-financial assets and goodwill as a key audit matter due to the significance of these balances in the Group's consolidated statement of financial position and the estimation of recoverable amounts of each cash generating unit ("CGU") involves complex and subjective management estimates based on management's judgement of key variables and market conditions such as future commodity prices, future exchange rates, future operating performance, the timing and approval of future capital and operating expenditure, and the most appropriate discount rate. As at 31 December 2016 the Group has goodwill of US$528.5 million and property, plant and equipment of US$12,084.3 million, accounting for approximately 3% and 79% of the Group's total assets as at 31 December 2016 respectively, contained within its CGUs as disclosed in notes 2.7, 3.1(d), 6.2, 13 and 14 to the consolidated financial statements. No impairment loss has been recognised during the year then ended.	Our procedures in relation to the impairment assessment of goodwill and property, plant and equipment included: – Engaging our internal specialists to evaluate the appropriateness of the model used by management to calculate the fair value less cost of disposal of the individual CGUs; – Assessing the reasonableness of the discount rates used and performing a sensitivity analysis on key variables (e.g. commodity pricing); – Analysing the future projected cash flows used in the model to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU; – Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of management's projections; – Evaluating the competence and objectivity of management's experts who assisted in the valuation; – Evaluating the feasibility studies that supported exploration upside potential valuation included on certain CGUs; and – Assessing the appropriateness of the related disclosures included in note 6.2 to the consolidated financial statements.
PROVISIONS FOR MINE REHABILITATION, RESTORATION AND DISMANTLING	
We identified the provisions for mine rehabilitation, restoration and dismantling as a key audit matter in view of the management's judgement involved due to the inherent uncertainty over the amount and timing of rehabilitation costs that will be incurred and which involves assumptions in respect of changes in environmental legislation, future developments, changes in technology and prices. This requires an appropriate discount rate to be determined to discount future cost calculations back to their net present value. As at 31 December 2016, the Group has provisions for mine rehabilitation, restoration and dismantling of US$799.4 million as disclosed in notes 2.18, 3.1(a) and 25 to the consolidated financial statements.	Our procedures in relation to provisions for mine rehabilitation, restoration and dismantling included: – Challenging management's process and assumptions used for the determination of the provisions; – Recalculating provision movements in the year relating to rehabilitation, restoration and dismantling to assess whether they were consistent with our understanding of the asset and associated remediation plans; – Checking the existence of legal and/or constructive obligations with respect to the rehabilitation and restoration for each business unit to assess the appropriateness of the intended method of restoration and rehabilitation and associated cost estimate, and – Engaging our internal specialists to assist with evaluating the appropriateness of the discount rates and assessing the competence and objectivity of management's experts.

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
GOING CONCERN BASIS	
We identified the going concern basis as a key audit matter as it is dependent on the positive cash flows generated from the Group's mining operations for the 12 months following the approval of the annual financial statements and the refinancing of its debts. The Group management has prepared a cash flow forecast which involves inherent complex and subjective management judgements and estimates based on management's input of key variables and market conditions. As set out in note 2.1 to the consolidated financial statements, notwithstanding the fact that the Group expects to continue to generate positive operating cash flows for the 12 months following the approval of the annual financial statements, with benefit of recent and forecast improvements in commodity prices, the Group has debts with an aggregate principal amount of US$745.0 million maturing within the next 12 months which will need to be refinanced or repaid and replaced. The Group is currently in negotiation with its lenders in view of its various funding requirements and has various funding options available to it should a need arise, including the support of its major shareholder.	Our procedures in relation to the going concern basis of the Group included: – Challenging the key assumptions in management's forecast cash flows for the next 12 months (base case and downside scenarios); – Comparing the cash flow forecasts against the budget approved by the board of directors of the Company and testing the accuracy of the model; – Assessing consistency between the forecasts used to test the Group's going concern basis and those used in the asset impairment assessment including commodity prices and third party forecast data; – Assessing the historical accuracy of forecasts prepared by the Group management; – Agreeing the Group's committed debt facilities and hedging arrangements to supporting documents; – Performing stress tests for a range of reasonably possible scenarios (including commodity prices) on management's cash flow and covenant compliance forecasts for the 12 months following the approval of the annual financial statements; – Challenging management's plans for mitigating any identified exposures, including their ability to amend the terms of their existing financing arrangements, obtain additional sources of financing or undertake additional asset disposals or raise additional capital; – Obtaining and reviewing a letter from its major shareholder which confirmed their financial support to the Group should the Group be unable to pay its debts; and – Assessing the appropriateness of the related disclosures included in note 2.1 to the consolidated financial statements.

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

Key Audit Matters - continued

KEY AUDIT MATTERS	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTERS
ACCOUNTING FOR INCOME TAXES AND OTHER TAXES	
We identified the accounting for income taxes and other taxes as a key audit matter due to the significant judgement involved in the determination of the tax position and the estimates and assumptions in relation to the provision for taxes and the recovery of tax assets including unused tax losses recognised. As at 31 December 2016, the Group operates across a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes and transaction related tax matters as disclosed in notes 3.1(c), 8, 18 and 19 to the consolidated financial statements.	Our procedures in relation to the accounting for income taxes and other taxes included: – Challenging management's process for identifying uncertain tax, provisioning for tax exposures and determining the recoverability of capitalised unused tax losses; – Engaging our internal tax specialists to review tax computations of the Group, obtain an understanding of the current status of tax assessments and investigations and to monitor developments in ongoing disputes, if any; – Reading recent rulings and correspondence with local tax authorities, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest external developments; and – Assessing the appropriateness of the related disclosures included in notes 8, 18 and 19 to the consolidated financial statements.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 9 March 2016.

Other Information

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8 March 2017

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTE	YEAR ENDED 31 DECEMBER 2016 US$ MILLION	2015 US$ MILLION
Revenue	4	**2,488.8**	**1,950.9**
Other income	5	40.3	1.7
Expenses (excluding depreciation, amortisation and impairment expenses)	6.1	(1,579.9)	(1,531.7)
Earnings before interest, income tax, depreciation, amortisation and impairment expenses – EBITDA		**949.2**	**420.9**
Depreciation and amortisation expenses	6.1	(684.5)	(649.4)
Impairment expenses	6.2	–	(897.0)
Profit/(loss) before interest and income tax – EBIT		**264.7**	**(1,125.5)**
Finance income	7	3.3	3.8
Finance costs	7	(316.3)	(88.8)
Loss before income tax		**(48.3)**	**(1,210.5)**
Income tax (expense)/credit	8	(50.4)	161.8
Loss for the year		**(98.7)**	**(1,048.7)**
Loss for the year attributable to:			
Equity holders of the Company		(152.7)	(1,026.5)
Non-controlling interests	16	54.0	(22.2)
		(98.7)	**(1,048.7)**
LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY			**(RESTATED)**
Basic loss per share	9	(US 2.5 cents)	(US 17.0 cents)
Diluted loss per share	9	(US 2.5 cents)	(US 17.0 cents)

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

		YEAR ENDED 31 DECEMBER	
	NOTE	2016 US$ MILLION	2015 US$ MILLION
Loss for the year		**(98.7)**	**(1,048.7)**
Other comprehensive income/(expenses)			
Items that may subsequently be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets	23	13.3	(11.4)
Change in fair value of hedging instruments in cash flow hedges		(4.3)	–
Items reclassified to profit or loss			
Gain on disposal of available-for-sale financial assets	23	(1.5)	–
Other comprehensive income/(expenses) for the year, net of tax		**7.5**	**(11.4)**
Total comprehensive expenses for the year		**(91.2)**	**(1,060.1)**
Total comprehensive (expenses)/income attributable to:			
Equity holders of the Company		(145.2)	(1,037.9)
Non-controlling interests	16	54.0	(22.2)
		(91.2)	**(1,060.1)**

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

	NOTE	AS AT 31 DECEMBER 2016 US$ MILLION	2015 US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment	13	12,084.3	11,873.0
Intangible assets	14	620.6	628.6
Inventories	17	29.8	61.2
Deferred income tax assets	18	291.1	368.5
Other receivables	19	160.2	82.0
Other financial assets	20	12.5	12.4
Total non-current assets		**13,198.5**	**13,025.7**
Current assets			
Inventories	17	345.7	281.7
Trade and other receivables	19	755.5	719.2
Loan to a related party	29(d)	95.0	–
Current income tax assets		5.5	1.4
Derivative financial assets	12	16.7	–
Other financial assets	20	0.2	14.9
Cash and cash equivalents	21	552.7	598.3
		1,771.3	1,615.5
Assets of disposal group classified as held for sale	28	260.2	18.8
Total current assets		**2,031.5**	**1,634.3**
Total assets		**15,230.0**	**14,660.0**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	22	2,863.3	2,359.1
Reserves and retained profits	23	(1,832.8)	(1,692.5)
		1,030.5	666.6
Non-controlling interests	16	1,559.1	1,508.6
Total equity		**2,589.6**	**2,175.2**

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

	NOTE	AS AT 31 DECEMBER 2016 US$ MILLION	2015 US$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	24	9,516.2	9,986.2
Provisions	25	831.3	775.8
Other payables	26	–	134.6
Deferred income tax liabilities	18	683.0	744.0
Total non-current liabilities		**11,030.5**	**11,640.6**
Current liabilities			
Borrowings	24	737.0	276.9
Provisions	25	141.6	137.7
Trade and other payables	26	652.6	393.0
Current income tax liabilities		3.1	31.8
Derivative financial instruments	12	5.8	0.3
		1,540.1	**839.7**
Liabilities of disposal group classified as held for sale	28	69.8	4.5
Total current liabilities		**1,609.9**	**844.2**
Total liabilities		**12,640.4**	**12,484.8**
Net current assets		**421.6**	**790.1**
Total equity and liabilities		**15,230.0**	**14,660.0**

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

JIAN Jiao
CEO and Executive Director

JIQING Xu
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$ MILLION	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY SHARE CAPITAL (NOTE 22)	TOTAL RESERVES (NOTE 23)	RETAINED PROFITS (NOTE 23)	NON-CONTROLLING INTERESTS (NOTE 16)	TOTAL
At 1 January 2016		**2,359.1**	**(1,926.3)**	**233.8**	**1,508.6**	**2,175.2**
(Loss)/profit for the year		–	–	(152.7)	54.0	**(98.7)**
Other comprehensive income		–	7.5	–	–	**7.5**
Total comprehensive expenses for the year		**–**	**7.5**	**(152.7)**	**54.0**	**(91.2)**
Ordinary shares issued, net of share issue costs	22	504.2	–	–	–	**504.2**
Employee share options		–	4.9	–	–	**4.9**
Dividends paid to non-controlling interests	16	–	–	–	(3.5)	**(3.5)**
Total transactions with owners		**504.2**	**4.9**	**–**	**(3.5)**	**505.6**
At 31 December 2016		**2,863.3**	**(1,913.9)**	**81.1**	**1,559.1**	**2,589.6**

US$ MILLION	NOTE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY SHARE CAPITAL (NOTE 22)	TOTAL RESERVES (NOTE 23)	RETAINED PROFITS (NOTE 23)	NON-CONTROLLING INTERESTS (NOTE 16)	TOTAL
At 1 January 2015		**2,358.9**	**(1,932.9)**	**1,260.3**	**1,288.3**	**2,974.6**
Loss for the year		–	–	(1,026.5)	(22.2)	(1,048.7)
Other comprehensive expenses		–	(11.4)	–	–	(11.4)
Total comprehensive expenses for the year		**–**	**(11.4)**	**(1,026.5)**	**(22.2)**	**(1,060.1)**
Employee share options		0.2	18.0	–	–	18.2
Contribution from non-controlling interests	16	–	–	–	250.5	250.5
Dividends paid to non-controlling interests	16	–	–	–	(8.0)	(8.0)
Total transactions with owners		**0.2**	**18.0**	**–**	**242.5**	**260.7**
At 31 December 2015		**2,359.1**	**(1,926.3)**	**233.8**	**1,508.6**	**2,175.2**

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

	NOTE	YEAR ENDED 31 DECEMBER 2016 US$ MILLION	2015 US$ MILLION
Cash flows from operating activities			
Receipts from customers		2,875.1	2,289.0
Payments to suppliers		(2,049.3)	(1,875.2)
Payments for exploration expenditure		(38.8)	(42.4)
Income tax paid		(64.7)	(89.0)
Net cash generated from operating activities	**27(a)**	**722.3**	**282.4**
Cash flows from investing activities			
Purchase of property, plant and equipment	27(b)	(771.0)	(1,959.0)
Payment of loan to a related party	29(d)	(95.0)	–
Proceeds from repayments of loan to a related party		–	80.0
Purchase of intangible assets	14	(17.0)	(26.0)
Purchase of financial assets		(1.3)	(1.8)
Acquisition of subsidiaries, net of cash acquired		–	(12.2)
Proceeds from disposal of financial assets		34.0	0.2
Proceeds from disposal of property, plant and equipment		3.1	1.3
Net cash used in investing activities		**(847.2)**	**(1,917.5)**
Cash flows from financing activities			
Proceeds from issue of shares	22	511.2	–
Payment of share issue costs	22	(7.0)	–
Proceeds from borrowings		643.4	1,729.5
Repayments of borrowings		(664.4)	(109.5)
Proceeds from related party borrowings	29(d)	–	417.5
Capital contribution from non-controlling interests	16	–	250.5
Proceeds from shares issued upon exercise of employee share options		–	0.2
Dividends paid to non-controlling interests	16	(3.5)	(8.0)
Interest and financing costs paid		(403.6)	(301.4)
Interest received		3.2	3.4
Net cash generated from financing activities		**79.3**	**1,982.2**
Net (decrease)/increase in cash and cash equivalents		**(45.6)**	**347.1**
Cash and cash equivalents at 1 January		598.3	251.2
Cash and cash equivalents at 31 December	**21**	**552.7**	**598.3**

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

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended 31 December 2016 are presented in United States dollars (US$) unless otherwise stated and were approved for issue by the Board of Directors of the Company (the "Board") on 8 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

The preparation of financial statements in accordance with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(a) Going concern

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

For the year ended 31 December 2016, the Group incurred a net loss of US$98.7 million (2015: net loss of US$1,048.7 million). As at 31 December 2016, the Group had net current assets of US$421.6 million (2015: US$790.1 million) and generated operating cashflows of US$722.3 million (2015: US$282.4 million). The Group also completed a successful rights issue during the year raising US$504.2 million net of costs. The Group expects to continue to generate positive operating cashflows for the 12 months following the approval of the annual financial statements, with the benefit of recent and forecast improvements in commodity prices (particularly copper).

Notwithstanding the above, the Group has debt with an aggregate principal amount of US$745.0 million maturing within the next 12 months and forecasts indicate certain covenants may be breached within the next 12 months. While existing cashflow forecasts indicate sufficient cashflows to enable the debt to be repaid the Group continues to progress discussions with external financiers with an objective of refinancing part of the Group's current debt repayable for working capital management purposes. Historically, the financiers have agreed to refinance facilities and in the current year demonstrated their ongoing support by agreeing to waive compliance with certain financial covenants. These relationships are supported and enhanced by guarantees provided by the Group's major shareholder China Minmetals Corporation ("CMC") in respect of certain facilities and CMC's own relationships with the Group's external financiers.

In the event that cashflow forecasts are not met or that the financiers are unwilling to refinance the facilities or waive compliance with certain covenants, the Group has the support of its major shareholder, CMC. In this circumstance, support to the Group may be in the form of providing additional debt facilities, deferral of debt service and repayment obligations in relation to existing shareholder loans from CMC, or through further equity contributions.

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

(b) New standards, amendments and interpretations to existing standards effective and adopted in 2016 but not relevant or significant to the Group

HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendments)	Accounting for acquisitions of interests in joint operations
HKFRSs (Amendments)	Annual improvements to HKFRS 2012 – 2014 cycle

(c) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted

The Group has not early adopted the following new standards and amendments to standards that have been issued but are not effective for financial year 2016. The Group is in the process of assessing their impact on the Group's results and financial position.

HKAS 7 (Amendments)	Disclosure initiative[(a)]
HKAS 12 (Amendments)	Recognition of deferred tax assets for unrealised losses[(a)]
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transaction[(b)]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[(b)]
HKFRS 9	Financial instruments[(b)]
HKFRS 15	Revenue from contracts with customers[(b)]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15[(b)]
HKFRS 16	Leases[(c)]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture[(d)]

Effective for the Group for annual period beginning on:

(a) 1 January 2017

(b) 1 January 2018

(c) 1 January 2019

(d) Effective date to be determined

(d) Impact of new standards and amendments to standards

HKFRS 15 *"Revenue from contracts with customers"*

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The Directors anticipate that the application of HKFRS 15 from 1 January 2018 will likely affect the presentation of the subsequent fair value movements in the provisionally priced contracts in the profit or loss. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a more detailed review.

HKFRS 16 *"Leases"*

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

The accounting model will require lessees to recognise all leases on statement of financial position, except for short-term leases and leases of low value assets.

The Directors anticipate that the application of HKFRS 16 from 1 January 2019 may have a material impact on the amounts reported and disclosures made in the Group's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group performs a more detailed review.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 CONSOLIDATION

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

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

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

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

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

(b) Subsidiaries

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

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

(c) Transactions with non-controlling interests

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

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

(d) Separate financial statements

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

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

2.3 SEGMENT REPORTING

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

2.4 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the dates of the transactions, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in other comprehensive income.

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

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

2.5 PROPERTY, PLANT AND EQUIPMENT

Cost

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of property, plant and equipment includes the estimated cost of mine rehabilitation, restoration and dismantling.

Depreciation and amortisation

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

– Freehold land – Not depreciated;

– Buildings – Reducing balance 2.5%;

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

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

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

(a) Exploration and evaluation expenditure

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

Exploration and evaluation costs that are incurred before the Group has obtained the legal right to explore an area, or are incurred up to and including the pre-feasibility phase, are recognised in the consolidated statement of profit or loss.

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

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

Exploration and evaluation assets are treated as tangible assets and classified as part of property, plant and equipment. As the assets are not yet ready for use they are not depreciated.

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

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

(b) Development expenditure

Once the technical feasibility and commercial viability of the development of an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to construction in progress within property, plant and equipment.

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

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

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

(c) Overburden and waste removal

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

The Group defers a portion of waste removal costs incurred during the production phase of an open-pit operation as part of determining the cost of inventories. Current period waste mining expenses are allocated between current period inventory and deferred waste assets based on the ratio of waste tonnes mined to ore tonnes mined (waste to ore ratio). The amount of deferred waste asset is calculated for each separate component of the ore body identified based on mine plans. Current period expenses are deferred to the extent that the current period waste to ore ratio exceeds the life-of-mine waste to ore ratio for the identified component. Deferred waste assets are categorised in the mine property and development category of property, plant and equipment and are amortised over the life of the component on a units-of-production basis. Changes to estimates are accounted for prospectively.

(d) Other expenditure

When further development expenditure is incurred in respect of the mine property after the commencement of the production phase, or additional property, plant and equipment are acquired, such expenditure is capitalised and carried forward only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Major spare parts are carried as property, plant and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property, plant and equipment. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated statement of profit or loss during the accounting period in which they are incurred.

(e) Disposal of property, plant and equipment

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

2.6 INTANGIBLE ASSETS

Goodwill

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

Goodwill is not amortised and is tested for impairment annually (refer to Note 2.7). For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated, represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Software development

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

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

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

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

Software development assets are amortised over their estimated useful lives, which does not exceed seven years.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

All intangible assets that have an indefinite useful life, for example goodwill, or are not ready for use are tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use of an asset. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Any impairment loss related to goodwill is recognised immediately as an expense and is not subsequently reversed. Any impairment loss related to non-financial assets other than goodwill is reviewed and may be reversed at subsequent reporting dates. A reversal of previously recognised impairment loss is limited to the lesser of the amount that would not cause the carrying amount to exceed its recoverable amount or the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised.

2.8 ASSETS HELD FOR SALE

Assets (or disposal groups) are classified as assets (and liabilities) held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of the carrying amount and fair value less costs to sell.

2.9 FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, in which case they are classified as non-current assets.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurements

Regular purchases and sales of financial assets are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated statement of profit or loss within expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of profit or loss as part of other income when the right of the Group to receive payment is established.

Changes in the fair value of available-for-sale assets are recognised in other comprehensive income. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of profit or loss as gains and losses from investment securities. Dividend income from available-for-sale equity instruments are recognised in the consolidated statement of profit or loss as part of other income when the right of the Group to receive payment is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparties.

Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2.10 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates its derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Certain derivatives instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments are recognised immediately in the consolidated statement of profit or loss.

Cash flow hedges are accounted for as follows:

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised assets or liability or a highly probable forecast transaction that could affect the consolidated statement comprehensive income. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the consolidated statement of profit or loss. The Group uses forward exchange contracts (FECs) and Foreign exchange option contracts (Collars) to hedge purchases in foreign currencies. The FECs and Collars are accounted for as cash flow hedges. Refer Note 12 and Note 30 for details.

Amounts taken to equity are transferred to the initial carrying amount of the non-financial asset when the hedged item (i.e. non-financial asset) recognised in the statement of financial position.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction to which the hedging instrument relates is not expected to occur, the amount is taken to the consolidated statement of profit or loss.

2.11 FINANCIAL GUARANTEE CONTRACT

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

2.12 INVENTORIES

Inventories comprise raw materials, stores and consumables, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and less applicable variable selling expenses.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs include the costs of direct materials, overburden removal, mining, processing, labour, related transportation costs to the point of sale, an appropriate proportion of related production overheads, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities. They exclude borrowings costs.

2.13 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), trade and other receivables are classified as current assets. If not, they are presented as non-current assets.

2.14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts, if any, are shown within borrowings in current liabilities.

2.15 FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Equity instruments (including ordinary shares and convertible redeemable preference shares) are any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities. Subsequent to initial recognition, the equity instrument is not remeasured.

2.16 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 COMPOUND FINANCIAL INSTRUMENTS

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 MINE REHABILITATION, RESTORATION AND DISMANTLING OBLIGATIONS

Provisions are made for the estimated cost of rehabilitation, restoration and dismantling relating to areas disturbed during the mine's operations up to the reporting date but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, top soiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated costs arising within 12 months) and non-current components, based on the expected timing of these cash flows. A corresponding asset is included in mine property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, otherwise a corresponding expense is recognised in the profit or loss. The capitalised cost of this asset is recognised in property, plant and equipment and is amortised over the life of the mine.

At each reporting date, the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of discount on provisions, which is recognised as a finance cost in the consolidated statement of profit or loss. Changes to capitalised cost result in an adjustment to future depreciation charges.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

2.19 PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

A provision is recognised for the amount expected to be paid under short-term or long-term bonus entitlements if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the Director or employee and the obligation can be estimated reliably.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

2.20 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid, including any non-cash assets, is recognised in the consolidated statement of profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 CURRENT AND DEFERRED INCOME TAX

The tax expense recognised for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date in the places where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax consolidation – Australia

The Australian subsidiaries of the Company are an income tax consolidated group and are taxed as a single entity. MMG Australia Limited is the head company of the Australian tax consolidated group.

The subsidiaries in the Australian tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right. In addition to its own current and deferred tax amounts, the head entity recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the other entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements between entities within the tax consolidated group entities are utilised as amounts receivable from or payable to other entities within the tax consolidated group.

2.22 TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.23 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued by employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations – defined contribution plans

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(c) Long-term employee benefits

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(d) Share-based compensation

The Group operates two equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and remaining employees of the entity over a specified period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

2.24 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sale of goods is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of the significant risks and rewards to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally when title passes, which for the majority of commodity sales is the bill of lading date when the commodity is delivered for shipment. For non-commodity sales, it is usually the date when a Group entity has delivered products to the customer, the customer has accepted the products, and there are no unfulfilled obligations that could affect the customer's acceptance of the products.

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable. Contract terms for the Group's concentrate sales allow for a price adjustment based on a final assay of the goods determined after discharge. Recognition of the sales revenue for these products is based on the most recently determined estimate of product assays with a subsequent adjustment made to revenue upon final determination.

The terms of sales contracts with third parties contain provisional pricing arrangements whereby the selling price for contained metal is based on prevailing spot prices during a specified future date range after shipment to the customer (quotational period). Adjustment to the sales price occurs based on movements in quoted market prices up to the completion of the quotational period. The period between provisional invoicing and quotational period completion is typically between 30 and 120 days.

The fair value of the final sales price adjustment is re-estimated continually and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses.

(b) Interest income

Interest income is recognised on a time-proportion basis, using the effective interest method.

2.25 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.26 DIVIDEND DISTRIBUTION

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's Shareholders or the Board, as appropriate.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 ESTIMATES

(a) Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted in accordance with the accounting policy in Note 2.18. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as the application of environmental legislation, the scope and timing of planned activities, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions. For non-operating sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

(b) Mineral Resources and Ore Reserves estimates

The estimated quantities of economically recoverable Mineral Resources and Ore Reserves are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported Reserves and Resources estimates can impact the carrying value of property, plant and equipment through depreciation, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the consolidated statement of profit or loss. The changes are effective from next financial year following Board approval of the revised Reserves and Resources estimates.

(c) Income taxes and other taxes

The Group is subject to taxes in a number of jurisdictions. Some of these are in countries that carry higher levels of sovereign risk. Management continually assesses the levels of sovereign risk in other jurisdictions in determining whether political and administrative changes and reforms in laws, regulations or taxation may impact the Group's future performance.

Significant judgement is required in determining the tax position and the estimates and assumptions in relation to the provision for taxes and the recovery of tax assets, having regard to the nature and timing of their origination and compliance with the relevant tax legislation. There are some tax matters for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax balances in the accounting period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(d) Recoverability of non-financial assets

The recoverable amount of each of the Group's cash-generating units and development projects is determined as the higher of the asset's fair value less costs of disposal and its value in use in accordance with the accounting policy in Notes 2.7 and 6.2. These calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

3.2 JUDGEMENTS

(a) Determination of control of subsidiaries

The Group exercises judgement to determine when MMG has control of subsidiaries in accordance with the accounting policy outlined in Note 2.2(c). This control assessment considers whether the Group has the power to direct the relevant activities that significantly affect the returns of subsidiaries.

As outlined in Note 16, the Group has assessed the investment holding company of the Las Bambas mine, MMG South America Management Company (Las Bambas Joint Venture Company), to be a subsidiary of the Group. The Group holds a 62.5% equity interest in the Las Bambas Joint Venture Company and controls the simple majority of votes cast on the board of directors. Under the terms of the Shareholders' Agreement, decisions on certain matters require prior approval of the Las Bambas Joint Venture Company board by such number of the directors that together hold more than 85% of the total voting entitlements of all directors entitled to vote. The Group has judged that the clauses related to these matters convey in principle protective rights to other investors and not substantive rights. This judgement will be reassessed by the Group on an ongoing basis. Different conclusions around these judgements may materially impact how Las Bambas balance sheet items, comprehensive income items and cash flows are presented in the consolidated financial statements; whether amounts are presented under the full consolidation method or presented in line with the equity accounting method.

(b) Determination of commissioning of Las Bambas

The Group exercised judgment in assessing the status of commissioning of the Las Bambas Development Project for accounting purposes in order to determine whether the mining project was substantially completed and ready for its intended purpose. The key criteria used to determine the status of commissioning of the mining project related to the achievement of 'commercial levels of production', including but not limited to completion of a reasonable period of testing of the mine plant and equipment, the ability to produce metal in saleable form and the ability to sustain continuous production of metal. As a result of this assessment management determined that Las Bambas commenced commercial production for accounting purposes on and from 1 July 2016.

4. SEGMENT INFORMATION

HKFRS 8 *"Operating Segments"* requires operating segments to be identified on the basis of internal reports about operations of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and assess its performance.

The chief operating decision-maker has been identified as the Company's Executive Committee. They review the Group's internal reporting of these operations in order to assess performance and allocate resources.

The Group restructured its internal organisation to manage its portfolio of Australian operations centrally. In 2016, the Company's Executive Committee commenced reviewing the operations of the Rosebery and Golden Grove mines on an aggregate basis. Accordingly, the Group has combined its previously reported segments of Rosebery and Golden Grove into one "Australian Operations" operating segment. Century mine ceased production in 2016 and is no longer an operating segment, consequently all results and balances for Century have been reclassified to the "Other" reportable segment.

The corresponding items of segment information for comparative periods have been restated to reflect the changes described above.

The Group's reportable segments are as follows:

Las Bambas	The Las Bambas mine is a large open-pit, scalable, long-life mining operation with prospective exploration options. It is located in Cotabambas, Apurimac region of Peru. The Las Bambas mine was commissioned for accounting purposes on and from 1 July 2016.
Sepon	Sepon is an open-pit copper mining operation located in southern Laos.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Katanga Province of the Democratic Republic of the Congo (DRC).
Australian Operations	Includes Rosebery and Golden Grove. Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. Golden Grove is an underground and open-pit base and precious metals mining operation located in Western Australia's mid-west.
Other	Includes Century mine which is an open-pit zinc mine located in North-West Queensland Australia, which ceased production in 2016. This segment also includes exploration and development projects (including the Dugald River project) as well as the results of corporate entities in the Group. All other segments are immaterial and have been aggregated.

A segment result represents the EBIT by each segment. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the Company's Executive Committee is measured in a manner consistent with that in these consolidated financial statements.

Segment assets exclude current income tax assets, deferred income tax assets and net inter-segment receivables. Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and net inter-segment loans. The excluded assets and liabilities are presented as part of the reconciliation to total consolidated assets or liabilities.

The segment revenue and results for the years ended 31 December 2016 and 2015 are as follows:

	FOR THE YEAR ENDED 31 DECEMBER 2016					
US$ MILLION	LAS BAMBAS[1]	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
External revenue from third parties	536.5	263.3	400.4	423.4	24.8	1,648.4
External revenue from CMC (Note 29(a))	687.7	127.5	–	25.2	–	840.4
Revenue	**1,224.2**	**390.8**	**400.4**	**448.6**	**24.8**	**2,488.8**
EBITDA	**655.0**	**101.5**	**116.3**	**179.4**	**(103.0)**	**949.2**
Depreciation and amortisation expenses	(249.8)	(138.2)	(184.4)	(103.5)	(8.6)	(684.5)
EBIT	**405.2**	**(36.7)**	**(68.1)**	**75.9**	**(111.6)**	**264.7**
Finance income						3.3
Finance costs						(316.3)
Income tax expense						(50.4)
Loss for the year						(98.7)
Other segment information:						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	704.1	62.2	24.0	78.8	230.4	1,099.5

US$ MILLION	LAS BAMBAS[1]	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
Segment assets	11,378.9	691.3	1,044.4	632.9	1,185.9[1]	14,933.4
Current/deferred income tax assets						296.6
						15,230.0
Segment liabilities	7,454.7	244.7	138.5	193.9	3,922.5[2]	11,954.3
Current/deferred income tax liabilities						686.1
						12,640.4

	FOR THE YEAR ENDED 31 DECEMBER 2015					
US$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS (RESTATED)	OTHER UNALLOCATED ITEMS/ ELIMINATIONS (RESTATED)	GROUP
External revenue from third parties	–	366.4	418.1	415.4	591.7	1,791.6
External revenue from CMC (Note 29(a))	–	130.5	–	6.9	21.9	159.3
Revenue	**–**	**496.9**	**418.1**	**422.3**	**613.6**	**1,950.9**
EBITDA	**(72.1)**	**248.8**	**131.8**	**98.6**	**13.8**	**420.9**
Depreciation and amortisation expenses	–	(114.4)	(190.1)	(111.2)	(233.7)	(649.4)
EBIT	**(72.1)**	**134.4**	**(58.3)**	**(12.6)**	**(219.9)**	**(228.5)**
Finance income						3.8
Finance costs						(88.8)
Income tax credit (underlying)						49.1
Loss for the year (underlying)						**(264.4)**
Impairment of assets	–	–	(52.5)	–	(633.1)	(685.6)
Impairment of goodwill	–	–	(211.4)	–	–	(211.4)
Income tax credit on impairment charge	–	–	–	–	112.7	112.7
Loss for the year						**(1,048.7)**
Other segment information:						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	1,758.0	99.3	100.7	68.3	77.4	**2,103.7**

US$ MILLION	LAS BAMBAS	SEPON	KINSEVERE	AUSTRALIAN OPERATIONS (RESTATED)	OTHER UNALLOCATED ITEMS/ ELIMINATIONS (RESTATED)	GROUP
Segment assets	10,901.8	787.1	1,244.4	680.8	676.0[1]	14,290.1
Current/deferred income tax assets						369.9
						14,660.0
Segment liabilities	6,913.3	227.2	177.3	177.0	4,214.2[2]	11,709.0
Current/deferred income tax liabilities						775.8
Segment liabilities						**12,484.8**

1. Included in segment assets of US$1,185.9 million (2015: US$676.0 million) for the Other segment are cash of US$280.7 million (2015: US$381.9 million) mainly held at Group treasury entities, property, plant and equipment of US$356.6 million (2015: US$125.6 million) for Dugald River, trade receivables of US$242.8 million (2015: US$nil) for MMG South America Company Limited in relation to copper concentrate sales, loan to a related party of US$95.0 million (2015: US$nil), and other financial assets of US$17.8 million (2015: US$17.0 million).
2. Included in segment liabilities of US$3,922.5 million (2015: US$4,214.2 million) for the Other segment are borrowings of US$3,271.7 million (2015: US$3,649.4 million), which are managed at Group level, and rehabilitation provisions of US$316.9 million (2015: US$330.0 million) at Century.

5. OTHER INCOME

	2016 US$ MILLION	2015 US$ MILLION
Gain on disposal of financial assets	6.3	0.2
Gain on changes in fair value of derivatives financial instruments	21.5	–
Gain on disposal of property, plant and equipment	–	0.1
Other income	12.5	1.4
Total other income	**40.3**	**1.7**

6. EXPENSES

6.1 LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:

	2016 US$ MILLION	2015 US$ MILLION
Changes in inventories of finished goods and work in progress	43.5	(16.7)
Write-down of inventories to net realisable value	70.5	27.5
Employee benefit expenses[1]	211.5	269.7
Contracting and consulting expenses	310.9	201.3
Energy costs	207.3	176.7
Stores and consumables costs	330.8	331.4
Depreciation and amortisation expenses[2]	676.1	640.3
Operating lease rental[3]	26.9	31.4
Other production expenses	18.9	9.6
Cost of goods sold	**1,896.4**	**1,671.2**
Other operating expenses	58.6	100.8
Royalty expenses	88.2	83.6
Selling expenses	90.0	97.9
Impairment expenses (Note 6.2)	–	263.9
Operating expenses including depreciation, amortisation and impairment	**2,133.2**	**2,217.4**
Exploration expenses[1,3]	38.8	42.4
Administrative expenses[1,3]	57.9	90.8
Auditor's remuneration	1.4	1.9
Foreign exchange (gains)/losses – net	(12.1)	56.4
Loss on financial assets at fair value through profit or loss	0.1	2.2
Impairment expenses in non-operating entities (Note 6.2)	–	633.1
Other expenses[1,2,3]	45.1	33.9
Total expenses	**2,264.4**	**3,078.1**

1. In aggregate US$114.5 million (2015: US$112.0 million) employee benefits expense by nature is included in the administrative expenses, exploration expenses and other expenses categories. Total employee benefits expenses were US$326.0 million (2015: US$381.7 million) (Note 11).
2. In aggregate US$8.4 million (2015: US$9.1 million) depreciation and amortisation expenses are included in other expenses categories. Total depreciation and amortisation expenses were US$684.5 million (2015: US$649.4 million).
3. In aggregate, an additional US$9.2 million (2015: US$7.9 million) operating lease rentals are included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals were US$36.1 million (2015: US$39.3 million).

6.2 IMPAIRMENT CHARGES

FOR THE YEAR ENDED 31 DECEMBER US$ MILLION	NOTE	PRE-TAX 2016	TAX IMPACT 2016	POST-TAX 2016	PRE-TAX 2015	TAX IMPACT 2015	POST-TAX 2015
Dugald River							
– Property, plant and equipment	13	–	–	–	573.6	(111.0)	462.6
Izok Corridor[1]							
– Property, plant and equipment	13	–	–	–	53.9	–	53.9
Avebury							
– Assets held for sale		–	–	–	5.6	(1.7)	3.9
Sub-total other reportable segments	4	**–**	**–**	**–**	**633.1**	**(112.7)**	**520.4**
Kinsevere							
– Intangible assets – goodwill	14	–	–	–	211.4	–	211.4
– Property, plant and equipment	13	–	–	–	52.5	–	52.5
Sub-total Kinsevere segment	4	**–**	**–**	**–**	**263.9**	**–**	**263.9**
		–	**–**	**–**	**897.0**	**(112.7)**	**784.3**

1. The impairment writedowns in 2015 were recognised pursuant to detailed assessments of the results of exploration activities at Izok Corridor Development project which indicated unfavourable project economics for further investment in the project, resulting in these assets being fully written off.

Impairment testing of non-current assets and Goodwill

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 31 December. Cash Generating Units ("CGUs") are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made at the reporting period.

Indicators of impairment and potential impairment reversal were identified as at 31 December 2016. These included volatile commodity prices and changes to Life of Asset ("LOA") mine plans. As a result, the Group identified impairment indicators for Sepon and Kinsevere. The approval of the Dugald River project resulted in an evaluation if a reversal of impairment should be considered.

Las Bambas commenced commercial production on and from 1 July 2016. As a result, Las Bambas was subject to impairment testing due to Goodwill being attributed to the CGU which requires an annual impairment assessment.

Following the Group entering into a conditional share sale agreement to dispose of Golden Grove mine on 30 December 2016, the related assets and liabilities of the mine were classified as held for sale from that date and measured at the lower of carrying value and fair value less costs to sell resulting in no adjustment to the carrying value of the CGU. Refer to Note 28 for more details.

(i) Approach

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of each CGU has been estimated using the higher of its fair value less costs of disposal or its Value in Use ("Fair Value"). In all instances the Fair Values were higher than the carrying values as at 31 December 2016. The Fair Value estimates are considered to be level 3 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process, including LOA plans, three year budgets, one-year forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise and reduce operational activity, apply technology, improve capital and labour productivity and other production efficiencies are also included along with the expected costs to realise the initiatives.

All reserves and resources have been included in the valuations at justifiable reasonable conversion rates, supported by proof of concept studies or, at minimum a resource range analysis for resource potential of a similar ore type within the CGU.

(ii) Key assumptions

The key assumptions impacting the discounted cash flow models used to determine the Fair Value include:

- Commodity prices;
- Operating costs;
- Increased capital requirements;
- Real post-tax discount rates;
- Reserves and resources;
- Foreign exchange rates; and
- Optimisation of operational activity and productivity.

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of both external consultants and experts within the Group to validate entity specific assumptions such as reserves and resources.

Commodity price and exchange rate assumptions are based on the latest internal forecasts benchmarked to analyst consensus forecasts. The longterm cost assumptions are based on experience.

Commodity price estimates included in the 3 year budget cashflows range between the current spot price and broker consensus forecasts. The long term price assumed for copper is US$2.96 per pound (2015: US$2.95 per pound) and for zinc is US$1.19 per pound (2015: US$1.20 per pound).

The long term AUD:USD exchange rate has been included as 0.80 (2015: 0.82).

The real post-tax discount rates used in the Fair Value estimates for each of the CGU's are 7% for Sepon and the Australian assets (2015: 8%), 8% for Las Bambas (2015: 8%), and 9% for Kinsevere (2015: 8%).

(iii) Valuation methodology for CGUs tested for impairment or reversal of impairment

Sepon

The Sepon Fair Value is determined through the 31 December 2016 LOA discounted cashflows. That includes copper processing to 2021 followed by the processing of gold reserves and resources. The Sepon Fair Value also includes cost savings already identified in the near future and assumes additional capital investment in the processing plant to process gold.

Kinsevere

The Kinsevere Fair Value is determined through a combination of the 31 December 2016 LOA discounted cashflows and further regional exploration potential and third party ore processing prospects. The cashflows assume additional capital investment in the processing plant to process sulphide copper.

Las Bambas

The Las Bambas Fair Value is determined through a combination of the 31 December 2016 LOA discounted cashflows and further regional exploration potential. The cashflows assume additional capital investment in the processing plant as well as expected cost reductions as the mine reaches process maturity following the first year of operation.

Dugald River

The Dugald River development project was impaired in December 2015 by US$573.6 million, pre-tax. The impairment was recognised as a result of further weakening in commodity prices, and industry changes in the region having an adverse effect on the valuation of the project.

The Group has revised the Dugald River project plan in 2016 and has identified cost savings and consistent improvements in the operational and technical stability of the project resulting in approval for external funding to complete the project. These factors together with recent increases in the zinc price resulted in an evaluation if a reversal of impairment should be considered as at 31 December 2016.

Following the evaluation it was decided that due to the stage of completion of the project and related risks that no reversal can be recognised as at 31 December 2016. The Group will continue to monitor and assess if a reversal of impairment is required in future periods.

(iv) Conclusion

The impairment testing of all the Group's operations as at 31 December 2016 has not resulted in the recognition of impairment or impairment reversal of the Group's non-current assets and Goodwill (2015: impairment losses of US$897.0 million, pre-tax).

(v) Sensitivity analysis

The level of production activity is a key assumption in the determination of Fair Value, as well as the success of converting reserves and resources. Due to the number of factors that could impact production activity, such as processing throughput, changing ore grade and/or metallurgy and revisions to mine plans in response to physical or economic conditions, no quantified sensitivity has been determined. Changes to these assumptions may however result in an impact on the Fair Value and result in impairment in future.

Each of the below sensitivities assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact (for example, a decline in the US dollar commodity price accompanied with a decline in the Australian dollar compared to the US dollar). Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Sepon

The key assumptions to which the calculation of Fair Value for Sepon is most sensitive are copper price, reduction in operating costs and the ability to mine Gold at the end of the current Copper Life of Mine assumption. An adverse change of 5% in copper prices over the mine life would decrease the recoverable amount by approximately US$52 million and could lead to a recognition of an impairment of approximately US$40 million, and an adverse change of 5% in operating costs would decrease the recoverable amount by approximately US$43 million and could lead to a recognition of an impairment of approximately US$31 million.

Kinsevere

The key assumptions to which the calculation of Fair Value for Kinsevere is most sensitive is the copper price. An adverse change of 5% in copper prices over the mine life would decrease the recoverable amount by approximately US$181 million and could lead to a recognition of an impairment of approximately US$29 million.

The Fair Value is also dependent on the success of proposed improvements to the processing plant to be able to process sulphide ore, further regional exploration success as well as the success of third party ore processing initiatives. These initiatives are at a pre-feasibility stage and non-approval of the projects may result in an impairment of the Mine Property and Development assets.

7. FINANCE INCOME AND FINANCE COSTS

	2016 US$ MILLION	2015 US$ MILLION
Finance income		
Interest income on cash and cash equivalents[1]	3.3	3.8
	3.3	**3.8**
Finance costs		
Interest expense on bank borrowings	(366.2)	(295.2)
Interest expense on convertible redeemable preference shares	(19.7)	(19.7)
Interest expense on related party borrowings (Note 29(a))	(91.3)	(80.5)
Unwinding of discount on provisions (Note 25(a))	(28.1)	(33.6)
Other finance cost on external borrowings	(19.9)	(4.9)
Other finance cost on related party borrowings (Note 29(a))	(9.2)	(7.1)
Finance costs – total	**(534.4)**	**(441.0)**
Less: Borrowing costs capitalised in relation to qualifying assets[2]	218.1	352.2
Finance costs – net of capitalised borrowing costs	**(316.3)**	**(88.8)**

1. Interest income of US$6.7 million (2015: US$ 0.1 million) was capitalised on qualifying assets, which form part of the additions to the cost of property, plant and equipment.
2. Borrowing costs capitalised include finance costs on borrowings held to specifically fund the assets, and finance costs on general borrowings capitalised at the rate of 4.0% (2015: 3.2%) per annum representing the average interest rate on relevant general borrowings.

8. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax is provided at a rate of 16.5% where there are net assessable profits derived for the year. The income tax rates applicable for the main jurisdictions in which the Group operates are: Australia (30.0%), Laos (33.3%), Peru (32.0%) and the DRC (30.0%). Tax rates for some jurisdictions are covered by historical legal agreements with governments. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

The Group recognises deferred tax assets if it is probable that future taxable amounts will be available to utilise those deductible temporary differences and unused tax losses in the foreseeable future. Management will continue to assess the recognition of deferred tax assets in future reporting periods.

	2016 US$ MILLION	2015 US$ MILLION
Current income tax expense – Overseas income tax	(36.7)	(69.5)
	(36.7)	**(69.5)**
Deferred income tax (expense)/credit – Overseas income tax (Note 18)	(13.7)	231.3
	(13.7)	**231.3**
Income tax (expense)/credit	**(50.4)**	**161.8**

There is no deferred tax impact relating to items of other comprehensive income (2015: US$nil).

The tax on the Group's loss before income tax differs from the prima facie amount that would arise using the applicable tax rate to losses of the consolidated companies as follows:

	2016 US$ MILLION	2015 US$ MILLION
Loss before income tax	**(48.3)**	**(1,210.5)**
Calculated at domestic tax rates applicable to profits in the respective countries	(12.0)	353.0
Net non-taxable / (non-deductible) amounts[1]	3.5	(89.6)
Net unrecognised deferred tax assets[2]	(43.0)	(77.5)
Previously unrecognised tax losses now recognised as deferred tax assets	10.8	–
Over/(under) provision in prior years	18.4	(1.8)
Non-recoverable withholding tax[3]	(28.1)	(22.3)
Income tax (expense)/credit	**(50.4)**	**161.8**

1. Non-deductible amounts in 2015 comprise primarily of the tax effect impact of the impairment to goodwill and African evaluation assets.
2. Amounts in 2016 relate to costs not presently deductable in Hong Kong. Amounts in 2015 are mainly due to unrecognised temporary differences arising in relation to MMG's Australian and Canadian assets.
3. Non-recoverable withholding tax paid under Peruvian tax law.

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options and performance awards on issue, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and performance awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and performance awards.

	NUMBER OF SHARES	
	2016 ‘000	2015 (RESTATED[2]) ‘000
Weighted average number of ordinary shares used in the calculation of the basic loss per share	6,163,972	6,034,124
Weighted average number of ordinary shares used in the calculation of the diluted loss per share[1]	6,163,972	6,034,124

1. Diluted loss per share is the same as basic loss per share for the years ended 31 December 2016 and 31 December 2015. Potential ordinary shares are anti-dilutive as their conversion to ordinary shares will result in a decrease of loss per share. The calculation of diluted loss per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on loss per share.
2. On 14 December 2016, the Company announced the completion of a rights issue of 2,645,034,944 rights shares at HK$1.50 per rights share. As the Company’s share market price immediately before the close of rights exercise was higher than the rights issue price, this gave rise to a bonus element in the rights issue to existing shareholders. Therefore loss per share is calculated as if the bonus element (but not the total rights issue) arose proportionately at the start of the earliest period for which loss per share is presented in accordance with the requirements under HKAS 33.

Loss per share is calculated as follows:

	2016	2015 (RESTATED[2])
Basic loss per share	(US 2.5 cents)	(US 17.0 cents)
Diluted loss per share	(US 2.5 cents)	(US 17.0 cents)

The Group has also chosen to present an alternative earnings per share measure, with loss adjusted for non-recurring items because it better reflects the Group’s underlying performance.

	2016 US$ MILLION	2015 US$ MILLION
Loss attributable to equity holders of the Company	(152.7)	(1,026.5)
Non-recurring items:		
– Impairment (Note 6)	–	897.0
– Tax associated with impairment (Note 6.2)	–	(112.7)
Underlying loss before non-recurring items	**(152.7)**	**(242.2)**
	2016	**2015 (RESTATED[2])**
Basic loss per share pre impairment charge (net of tax)	(US 2.5 cents)	(US 4.0 cents)
Diluted loss per share pre impairment charge (net of tax)	(US 2.5 cents)	(US 4.0 cents)

10. DIVIDENDS

The Directors did not recommend the payment of an interim or final dividend for the year ended 31 December 2016 (2015: US$nil).

11. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

(a) Total employee benefit expenses

	2016 US$ MILLION	2015 US$ MILLION
Salaries and other benefits	308.6	361.3
Retirement scheme contributions (Note 11(b))	17.4	20.4
Total employee benefit expenses (Note 6)	**326.0**	**381.7**

(b) Retirement schemes

The Group provides retirement benefits to all Hong Kong eligible employees under the Mandatory Provident Fund (MPF Scheme). Under the MPF Scheme, the Group and its employees make monthly contributions to the MPF Scheme at 5% of the employees' salaries as defined under the Mandatory Provident Fund legislation. Contributions of both the Hong Kong subsidiaries and their employees are subject to a maximum of HK$1,500 per month and thereafter contributions are voluntary and are not subject to any limitation. The MPF Scheme is administered by an independent trustee and its assets are held separately from those of the Group.

The Group provides a superannuation contribution for all Australian-based employees to their nominated superannuation fund. This contribution is to provide benefits for employees and their dependants in retirement, and for relevant employees, disabilities or death.
In accordance with the applicable regulation in Australia, the Group is required to contribute at a minimum rate of 9.5% of ordinary time earnings of the Australian-based employee. The Group provides for retirement benefits to those employees who reach statutory retirement age in the Democratic Republic of Congo (DRC) in accordance with the Collective Bargaining Agreement with its employees at the Kinsevere mine. A provision for the retirement benefit is recognised which is measured as the present value of the expected future payments to be made taking into consideration the period of employee service and their job position as at the reporting date.

Total contributions made for the year ended 31 December 2016 amounted to US$17.4 million (2015: US$20.4 million).

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2016 US$ MILLION	2015 US$ MILLION
Forward foreign exchange contracts – cash flow hedges[1]	(4.6)	(0.3)
Foreign exchange option contracts – cash flow hedges[1]	(1.2)	–
Total derivative financial liabilities	**(5.8)**	**(0.3)**
Commodity price contracts – derivatives[2]	16.7	–
Total derivative financial assets	**16.7**	**–**

1. To protect against the exchange rate (USD vs AUD) movements of the total highly probable forecast payments in relation to the Dugald River project, the Group has entered into the following two financial instruments which qualified for cash flow hedge accounting:
   (i) Forward foreign exchange contracts (FECs): the notional principal amounts and the fair value of the outstanding FECs at 31 December 2016 were US$140.1 million (2015: US$7.0 million) and with a corresponding US$4.6 million liability (2015: US$0.3 million).
   (ii) Foreign exchange option contracts (Collars): the Group has constructed Collars by entering into a combined purchase call and written put options as a single hedging instrument. The fair value of the outstanding Collars at 31 December 2016 were a US$1.2 million liability (2015: US$nil).

   In application of cash flow hedge accounting, the effective portion of the gain or loss on the FECs is recognised directly in equity, while the ineffective portion is recognised in the Consolidated Statement of Profit or Loss. Amounts taken to equity are subsequently transferred to the initial carrying amount of the purchases, when the hedged item is recognised on the consolidated statement of financial position.
2. To protect against the commodity price (copper) movements, the Group has entered into commodity price contracts in 2016. As at 31 December 2016, cash flow hedge accounting has not been applied to the commodity price contracts. Therefore, the movement of the fair value of the outstanding commodity price contracts is recorded in the profit or loss.

   The notional principal amounts and the fair value of the outstanding commodity price contracts at 31 December 2016 were US$429.4 million (2015: US$nil) and with a corresponding US$16.7 million asset (2015: US$nil).

13. PROPERTY, PLANT AND EQUIPMENT

US$ MILLION	LAND AND BUILDINGS	PLANT AND MACHINERY	MINE PROPERTY AND DEVELOPMENT	EVALUATION	CONSTRUCTION IN PROGRESS	TOTAL PROPERTY, PLANT AND EQUIPMENT
As at 1 January 2016						
Cost	168.7	1,982.3	4,099.9	106.7	8,704.2	15,061.8
Accumulated depreciation and amortisation	(111.3)	(1,150.6)	(1,246.8)	(106.7)	(573.4)	(3,188.8)
Net book amount at 1 January 2016	**57.4**	**831.7**	**2,853.1**	**–**	**8,130.8**	**11,873.0**
Year ended 31 December 2016						
At the beginning of the year	57.4	831.7	2,853.1	–	8,130.8	11,873.0
Additions[1]	2.2	3.4	217.6	0.5	858.8	1,082.5
Depreciation and amortisation	(28.8)	(237.7)	(393.0)	–	–	(659.5)
Disposals (net)	(0.4)	(1.2)	(0.7)	(0.8)	–	(3.1)
Transfers (net)	701.9	2,703.8	4,862.1	70.8	(8,338.6)	–
Subtotal	**732.3**	**3,300.0**	**7,539.1**	**70.5**	**651.0**	**12,292.9**
Transferred to disposal group classified as held for sale (Note 28)	(5.2)	(44.6)	(150.6)	–	(8.2)	(208.6)
Net book amount at 31 December 2016	**727.1**	**3,255.4**	**7,388.5**	**70.5**	**642.8**	**12,084.3**
As at 31 December 2016						
Cost	856.8	4,528.6	8,751.3	177.2	1,216.2	15,530.1
Accumulated depreciation, amortisation and impairment	(129.7)	(1,273.2)	(1,362.8)	(106.7)	(573.4)	(3,445.8)
Net book amount at 31 December 2016	**727.1**	**3,255.4**	**7,388.5**	**70.5**	**642.8**	**12,084.3**

1. During the year, the Group capitalised borrowing costs of US$211.4 million (2015: US$352.2 million) on qualifying assets, which form part of the additions to the cost of property, plant and equipment. The cash payment of interest capitalised is included within 'Interest and financing costs paid' in the consolidated statement of cash flows.

US$ MILLION	LAND AND BUILDINGS	PLANT AND MACHINERY	MINE PROPERTY AND DEVELOPMENT	EVALUATION	CONSTRUCTION IN PROGRESS	TOTAL PROPERTY, PLANT AND EQUIPMENT
As at 1 January 2015						
Cost	162.9	1,875.3	3,997.1	107.9	6,858.4	13,001.6
Accumulated depreciation and amortisation	(91.5)	(965.7)	(843.6)	–	–	(1,900.8)
Net book amount at 1 January 2015	**71.4**	**909.6**	**3,153.5**	**107.9**	**6,858.4**	**11,100.8**
Year ended 31 December 2015						
At the beginning of the year	71.4	909.6	3,153.5	107.9	6,858.4	11,100.8
Additions[1]	0.6	56.4	65.8	–	1,954.9	2,077.7
Depreciation and amortisation	(19.8)	(201.3)	(403.4)	–	–	(624.5)
Disposals (net)	–	(0.4)	–	(0.3)	(0.3)	(1.0)
Impairment (Note 6.2)	–	–	–	(106.4)	(573.6)	(680.0)
Transfers (net)	5.2	67.4	37.2	(1.2)	(108.6)	–
At the end of the year	**57.4**	**831.7**	**2,853.1**	**–**	**8,130.8**	**11,873.0**
As at 31 December 2015						
Cost	168.7	1,982.3	4,099.9	106.7	8,704.2	15,061.8
Accumulated depreciation and amortisation	(111.3)	(1,150.6)	(1,246.8)	(106.7)	(573.4)	(3,188.8)
Net book amount at 31 December 2015	**57.4**	**831.7**	**2,853.1**	**–**	**8,130.8**	**11,873.0**

14. INTANGIBLE ASSETS

US$ MILLION	GOODWILL	SOFTWARE DEVELOPMENT	TOTAL
As at 1 January 2016			
Cost	739.9	153.0	892.9
Accumulated amortisation and impairment	(211.4)	(52.9)	(264.3)
Net book amount at 1 January 2016	**528.5**	**100.1**	**628.6**
Year ended 31 December 2016			
At the beginning of the year	528.5	100.1	628.6
Additions	–	17.0	17.0
Amortisation	–	(25.0)	(25.0)
At the end of the year	**528.5**	**92.1**	**620.6**
As at 31 December 2016			
Cost	739.9	170.0	909.9
Accumulated amortisation and impairment	(211.4)	(77.9)	(289.3)
Net book amount at 31 December 2016	**528.5**	**92.1**	**620.6**
As at 1 January 2015			
Cost	739.9	127.0	866.9
Accumulated amortisation and impairment	–	(27.9)	(27.9)
Net book amount at 1 January 2015	**739.9**	**99.1**	**839.0**
Year ended 31 December 2015			
At the beginning of the year	739.9	99.1	839.0
Additions	–	26.0	26.0
Amortisation	–	(25.0)	(25.0)
Impairment (Note 6.2)	(211.4)	–	(211.4)
At the end of the year	**528.5**	**100.1**	**628.6**
As at 31 December 2015			
Cost	739.9	153.0	892.9
Accumulated amortisation and impairment	(211.4)	(52.9)	(264.3)
Net book amount at 31 December 2015	**528.5**	**100.1**	**628.6**

15. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at 31 December 2016:

NAME OF COMPANY	PLACE OF INCORPORATION/ OPERATION	PRINCIPAL ACTIVITIES	PARTICULARS OF ISSUED OR PAID-UP CAPITAL	PROPORTION OF ISSUED CAPITAL HELD BY THE COMPANY	
				DIRECTLY	INDIRECTLY
MMG Australia Limited	Australia	Mineral exploration and production, management and employment services	490,000,000 Ordinary Shares at A$[1]1 a share	–	100%
MMG Century Limited	Australia	Mineral exploration and production	30 Ordinary Shares at A$1 a share	–	100%
MMG Dugald River Pty Ltd	Australia	Holds Dugald River Assets	301,902,934 Ordinary Shares at A$1 a share	–	100%
MMG Exploration Pty Ltd	Australia	Investment holding	1 Ordinary Share at A$1 a share	–	100%
MMG Golden Grove Pty Ltd	Australia	Holds non-current assets held for sale	1 Ordinary Share at A$1 a share	–	100%
MMG Management Pty Ltd	Australia	Treasury and management services	1 Ordinary Share at A$1 a share	–	100%
Allegiance Mining Pty Ltd	Australia	Holds non-current assets held for sale	782,455,310 Ordinary Shares at A$1 a share	–	100%
Topstart Limited	British Virgin Islands	Investment holding	1,386,611,594 Ordinary Shares at US$1 a share	100%	–
Anvil Mining Limited	British Virgin Islands	Investment holding	100 Class A Common Shares at US$1	–	100%
MMG Resources Inc.	Canada	Mineral exploration	90,750,378 Common Shares at C$[1]3.81 a share	–	100%
MMG Kinsevere SARL	DRC	Mineral exploration and production	10,000 Ordinary Shares at CDF[1]10,000 a share	–	100%
MMG Exploration Holdings Limited	Hong Kong	Mineral exploration	1 Ordinary Share providing a share capital of HK$[1]1	100%	–
MMG Finance Limited	Hong Kong	Administration and treasury services	1 Ordinary Share providing a share capital of HK$1	100%	–
MMG South America Company Limited	Hong Kong	Holding company	1,880,000 Ordinary Shares providing a share capital of HK$1,880,000	100%	–
MMG South America Management Company Limited	Hong Kong	Holding investments in Peru	1,200 Ordinary Shares providing a share capital of HK$28,046,249,501	–	62.5%
Lane Xang Minerals Limited	Laos	Mineral exploration and production	381,088 Ordinary Shares at US$1 a share	–	90%
MMG Netherlands B.V.	Netherlands	Investment holding	5,000 Ordinary Shares at EUR[1]1 a share	–	62.5%
Minera Las Bambas S.A.	Peru	Mineral exploration and production	2,890,004,037 Common Shares at PEN[1] 1 a share	–	62.5%
Album Investment Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S$[1]1 a share	–	100%
Album Resources Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S$1 a share	–	100%
MMG Swiss Finance AG	Switzerland	Investment holding and financial services	100,000 Ordinary Shares at CHF[1]1 a share	–	62.5%

1. A$, C$, HK$, CDF, S$, PEN, CHF and EUR stand for Australian dollar, Canadian dollar, Hong Kong dollar, Congolese Franc, Singapore dollar, Peruvian Sol, Swiss Franc and Euro respectively.

16. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had total non-controlling interests of US$1,559.1 million as at 31 December 2016 (2015: US$1,508.6 million).

Non-controlling interests comprise the following:

	2016 US$ MILLION	2015 US$ MILLION
Lane Xang Minerals Limited	51.9	59.5
MMG South America Management Company Limited and its subsidiaries (MMG South America Management Group)	1,365.2	1,307.1
Topstart Limited	142.0	142.0
Total	**1,559.1**	**1,508.6**

(a) Summarised financial information for subsidiaries with material non-controlling interests to the Group

This summarised financial information is shown on a 100% basis. It represents the amounts shown in the subsidiaries' financial statements prepared in accordance with HKFRS under Group accounting policies, before inter-company eliminations.

	LANE XANG MINERALS LIMITED		MMG SOUTH AMERICA MANAGEMENT GROUP	
	AS AT 31 DECEMBER			
US$ MILLION	2016	2015	2016	2015
Summarised Statement of Financial Position				
Assets[1]	**847.4**	**954.5**	**11,825.6**	**10,955.3**
Current	144.8	178.7	1,116.9	811.2
Non-current	702.6	775.8	10,708.7	10,144.3
Liabilities	**(248.6)**	**(280.0)**	**(8,185.1)**	**(7,469.8)**
Current	(31.2)	(63.0)	(618.5)	(241.4)
Non-current	(217.4)	(217.0)	(7,566.6)	(7,228.4)
Net assets	**598.8**	**674.5**	**3,640.5**	**3,485.5**
	YEAR ENDED 31 DECEMBER			
	2016	2015	2016	2015
Summarised Statement of Comprehensive Income				
Revenue	390.8	496.9	1,224.2	–
Profit/(loss) for the year	(40.9)	71.2	155.0	(78.3)
Total comprehensive income/(expenses)	(40.9)	71.2	155.0	(78.3)
Total comprehensive income/(expenses) attributable to non-controlling interests	(4.1)	7.1	58.1	(29.3)
Dividends paid to non-controlling interests	(3.5)	(8.0)	–	–
	YEAR ENDED 31 DECEMBER			
	2016	2015	2016	2015
Summarised Statement of Cash Flows				
Net increase in cash and cash equivalents	5.1	3.1	72.5	7.8
Cash and cash equivalents at 1 January	13.3	10.2	167.1	159.3
Cash and cash equivalents at 31 December	18.4	13.3	239.6	167.1
Capital contribution from non-controlling interests	–	–	–	250.5

1. Lane Xang Minerals Limited has deposits of US$10.0 million (2015: US$9.4 million) (Note 20) that are held for the sole purpose of mine rehabilitation and cannot be used for any other purpose.

(b) Topstart Limited

The non-controlling interests attributable to Topstart Limited represent the equity component of the convertible redeemable preference shares (CRPS) issued by Topstart Limited during the year ended 31 December 2013. The equity component was recognised at the time of issuance as the difference between the fair value of the CRPS as a whole and the fair value of the liability component.

Following initial recognition, the equity component is not subsequently remeasured except on conversion or expiry.

As at 31 December 2016 and 2015, the holders of the CRPS do not hold or control any direct ownership interest or voting rights in Topstart Limited. No profit or loss or other comprehensive income of Topstart Limited for the years ended 31 December 2016 and 2015 is attributable to, or allocated to the holders of the CRPS.

17. INVENTORIES

	2016 US$ MILLION	2015 US$ MILLION
Non-current		
Work in progress	**29.8**	**61.2**
Current		
Stores and consumables	165.0	152.2
Work in progress	86.6	91.7
Finished goods	94.1	37.8
	345.7	**281.7**
Total	**375.5**	**342.9**

18. DEFERRED INCOME TAX

The movements in deferred income tax assets/(liabilities) during the years are as follows:

US$ MILLION	PROPERTY, PLANT AND EQUIPMENT	PROVISIONS	TAX LOSSES	OTHERS	TOTAL
At 1 January 2015	(894.4)	163.6	135.2	(0.7)	(596.3)
Credited/(charged) to profit or loss (Note 8)	144.7	45.0	44.3	(2.7)	231.3
Reclassification to current tax balance	(10.6)	–	0.1	–	(10.5)
At 31 December 2015	**(760.3)**	**208.6**	**179.6**	**(3.4)**	**(375.5)**
(Charged)/credited to profit or loss (Note 8)	(393.5)	83.6	293.9	2.3	(13.7)
Transferred to assets held for sale (Note 28)	9.6	(11.9)	–	(0.4)	(2.7)
At 31 December 2016	**(1,144.2)**	**280.3**	**473.5**	**(1.5)**	**(391.9)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to income tax levied by the same taxation authority on either the taxation entity or different taxation entities, and there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2016 US$ MILLION	2015 US$ MILLION
Deferred income tax assets	291.1	368.5
Deferred income tax liabilities	(683.0)	(744.0)
	(391.9)	**(375.5)**

The Group only recognises deferred tax assets for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses in the foreseeable future. Management will continue to assess the recognition of deferred tax assets in future reporting periods. Tax losses can be carried forward indefinitely. As at 31 December 2016 and 2015, the Group had unrecognised deferred tax losses and temporary differences as follow:

	2016 US$ MILLION	2015 US$ MILLION
Tax losses (tax effected)	68.7	38.1
Deductible temporary differences (tax effected)	102.2	134.2
At 31 December	**170.9**	**172.3**

19. TRADE AND OTHER RECEIVABLES

	2016 US$ MILLION	2015 US$ MILLION
Non-current other receivables		
Prepayments	16.1	20.2
Other receivables – government taxes[1]	79.9	48.6
Sundry receivables	64.2	13.2
	160.2	**82.0**

	2016 US$ MILLION	2015 US$ MILLION
Current trade and other receivables		
Trade receivables[2]	406.6	49.1
Less: Allowance for impairment of trade receivables	–	(11.0)
Trade receivables (net)	406.6	38.1
Prepayments	31.0	47.0
Other receivables – government taxes[1]	311.4	499.0
Sundry receivables	6.5	135.1
	755.5	**719.2**

1. Other receivables – government taxes:

	2016 US$ MILLION	2015 US$ MILLION
Non-current other receivable – Government Taxes		
Peru	31.8	38.6
Democratic Republic of the Congo	43.0	–
Other	5.1	10.0
Total government taxes receivables – non-current	**79.9**	**48.6**
Current other receivable – Government Taxes		
Peru	305.5	456.5
Democratic Republic of the Congo	3.9	33.5
Other	2.0	9.0
Total government taxes receivables – current	**311.4**	**499.0**

The government taxes amount mainly consists of VAT receivables.

2. As at 31 December 2016 and 2015, trade and other receivables of the Group mainly related to the mining operations and development projects. The majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received after delivery and the balance is due within 30 to 120 days from delivery. The ageing analysis of the trade receivables (based on invoice date) is as follows:

	2016		2015	
	US$ MILLION	%	US$ MILLION	%
Current trade receivables				
Less than 6 months	406.6	100.0	49.1	100.0
Current trade receivables	**406.6**	**100.0**	**49.1**	**100.0**

As at 31 December 2016, US$2.2 million (2015: US$nil) trade receivables were past due but not impaired.

As at 31 December 2016, the Group's trade receivables included an amount of US$228.4 million (2015: US$6.6 million) (Note 29(d)), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US$.

20. OTHER FINANCIAL ASSETS

	2016 US$ MILLION	2015 US$ MILLION
Non-current financial assets		
Financial assets at fair value through profit or loss – listed[1]	0.9	2.1
Mine rehabilitation funds	11.6	10.3
	12.5	**12.4**
Current financial assets		
Available-for-sale financial assets – listed[1]	–	14.5
Financial assets at fair value through profit or loss – listed[1]	0.2	0.4
	0.2	**14.9**

1. Other financial assets are listed investments outside Hong Kong and their carrying values are equal to their market values.

21. CASH AND CASH EQUIVALENTS

	2016 US$ MILLION	2015 US$ MILLION
Cash at bank and in hand	335.9	296.2
Short-term bank deposits[1]	216.8	302.1
Total[2]	**552.7**	**598.3**

1. The weighted average effective interest rate on short-term bank deposits as at 31 December 2016 was 1.86% (2015: 0.82%). These deposits have an average 20 days (2015: 20 days) to maturity from 31 December 2016.
2. Total cash and cash equivalents include US$239.6 million (2015: US$168.7 million) of cash held limited for use by the Las Bambas joint venture group.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2016 US$ MILLION	2015 US$ MILLION
US dollars	521.9	583.1
Peruvian sol	14.7	1.7
Australian dollars	10.0	7.4
Hong Kong dollars	2.6	–
Other	3.5	6.1
	552.7	**598.3**

22. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES		SHARE CAPITAL	
	2016 '000	2015 '000	2016 US$ MILLION	2015 US$ MILLION
Issued and fully paid:				
At 1 January	5,290,070	5,289,608	2,359.1	2,358.9
Ordinary shares issued[1]	2,645,035	–	504.2	–
Employee share options exercised	–	462	–	0.2
At 31 December	7,935,105	5,290,070	2,863.3	2,359.1

1. On 15 December 2016, a total 2,645,034,944 new shares were issued as a result of the completion of a rights issue of 2,645,034,944 rights shares at HK$1.50 per rights share on the basis of 1 rights share for every 2 shares held. The gross proceeds from the rights issue was US$511.2 million, excluding share issue costs of US$7.0 million.

23. RESERVES AND RETAINED PROFITS

US$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANSLATION RESERVE	AVAILABLE-FOR-SALE FINANCIAL ASSETS RESERVE	CASHFLOW HEDGES RESERVE[1]	MERGER RESERVE[2]	SHARE OPTION RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2016	9.4	2.7	(11.8)	–	(1,946.9)	20.3	**(1,926.3)**	**233.8**	**(1,692.5)**
Loss for the year	–	–	–	–	–	–	**–**	**(152.7)**	**(152.7)**
Other comprehensive income/ (expenses)									
Change in fair value of available-for-sale financial assets	–	–	13.3	–	–	–	**13.3**	**–**	**13.3**
Change in fair value of hedging derivatives	–	–	–	(4.3)	–	–	**(4.3)**	**–**	**(4.3)**
Gain on disposal of available-for-sale financial assets	–	–	(1.5)	–	–	–	**(1.5)**	**–**	**(1.5)**
Total comprehensive income/ (expenses) for the year	**–**	**–**	**11.8**	**(4.3)**	**–**	**–**	**7.5**	**(152.7)**	**(145.2)**
Employee share options	–	–	–	–	–	4.9	**4.9**	**–**	**4.9**
	–	–	–	–	–	4.9	**4.9**	**–**	**4.9**
At 31 December 2016	**9.4**	**2.7**	**–**	**(4.3)**	**(1,946.9)**	**25.2**	**(1,913.9)**	**81.1**	**(1,832.8)**

1. The cashflow hedges reserve records the portion of the gain or loss on a hedging instrument and the related transaction in a cash flow hedge that are determined to be effective.
2. Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKIPCA) against their share capital.

US$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANSLATION RESERVE	AVAILABLE-FOR-SALE FINANCIAL ASSETS RESERVE	CASHFLOW HEDGE RESERVE (i)	MERGER RESERVE (ii)	SHARE OPTION RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2015	9.4	2.7	(0.4)	–	(1,946.9)	2.3	**(1,932.9)**	**1,260.3**	**(672.6)**
Loss for the year	–	–	–	–	–	–	**–**	**(1,026.5)**	**(1,026.5)**
Other comprehensive expenses									
Change in fair value of available-for-sale financial assets	–	–	(11.4)	–	–	–	**(11.4)**	**–**	**(11.4)**
Total comprehensive expense for the year	**–**	**–**	**(11.4)**	**–**	**–**	**–**	**(11.4)**	**(1,026.5)**	**(1,037.9)**
Employee share options	–	–	–	–	–	18.0	**18.0**	**–**	**18.0**
	–	–	–	–	–	18.0	**18.0**	**–**	**18.0**
At 31 December 2015	**9.4**	**2.7**	**(11.8)**	**–**	**(1,946.9)**	**20.3**	**(1,926.3)**	**233.8**	**(1,692.5)**

1. The cashflow hedges reserve records the portion of the gain or loss on a hedging instrument and the related transaction in a cash flow hedge that are determined to be effective.
2. Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKIPCA) against their share capital.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company does not have any distributable reserves available for distribution to Shareholders (2015: US$nil).

24. BORROWINGS

	2016 US$ MILLION	2015 US$ MILLION
Non-current		
Loan from a related party (Note 29(d))	2,261.3	2,261.3
Bank borrowings, net	7,066.3	7,539.2
Convertible redeemable preference shares	188.6	185.7
	9,516.2	**9,986.2**
Current		
Bank borrowings, net	720.1	260.0
Convertible redeemable preference shares	16.9	16.9
	737.0	**276.9**
Analysed as:		
– Secured	7,772.7	7,614.6
– Unsecured	2,566.8	2,743.2
	10,339.5	**10,357.8**
Prepayments – finance charges	(86.3)	(94.7)
	10,253.2	**10,263.1**
Borrowings (excluding: prepayments) were repayable as follows:		
– Within one year	745.0	281.2
– More than one year but not exceeding two years	2,795.2	858.8
– More than two years but not exceeding five years	2,005.7	4,114.7
– More than five years	4,793.6	5,103.1
	10,339.5	**10,357.8**
Prepayments – finance charges	(86.3)	(94.7)
	10,253.2	**10,263.1**

An analysis of the carrying amounts of the total borrowings (excluding prepayments) by type and currency is as follows:

	2016 US$ MILLION	2015 US$ MILLION
US dollars		
– At floating rates	10,134.0	10,155.2
– At fixed rates	205.5	202.6
	10,339.5	**10,357.8**

The effective interest rate at the reporting date was as follows:

	2016	2015
Borrowings	4.8%	4.2%

The CRPS were issued on 5 August 2013 following the completion of certain conditions precedent and represented 19.60% of the equity share capital of Topstart. The total consideration paid for the CRPS was US$338 million. The CRPS matures in 25 years from issue date. The values of the liability component and the equity conversion component were determined at issuance of the CRPS. The interest on the CRPS is calculated at the effective interest rate of 10% per annum approximating the market rate of interest for a similar debt instrument with the same currency and maturity at the date of issuance (2015: 10%).

As at 31 December 2016, the secured borrowings of the Group were secured as follows:

(a) Approximately US$488.2 million (2015: US$563.3 million) from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment Private Limited (Album Investment), a wholly owned subsidiary of the Company, and 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited, and a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited.

(b) Approximately US$330.0 million (2015: US$250.0 million) from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment; 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over all of the shares in MMG Dugald River Pty Ltd (MMG Dugald River); a real property mortgage over all of the interests in land of MMG Dugald River; a general security agreement in respect of all of the assets of MMG Dugald River; and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project and a featherweight charge over all of MMG Australia Limited's other assets (which security may now be released as MMG Australia Limited has completed the transfer of the Dugald River project assets to MMG Dugald River).

(c) Approximately US$6,954.5 million (2015: US$6,691.3 million) from China Development Bank Corporation, Industrial and Commercial Bank of China Limited, Bank of China Limited (Sydney Branch) and The Export-Import Bank of China was secured by share security over the entire share capital of MMG South America Management Co Ltd and each of its subsidiaries including Minera Las Bambas S.A., a debenture over the assets of MMG South America Management Co Ltd, an assets pledge agreement and production unit mortgage in respect of all of the assets of Minera Las Bambas S.A., assignments of shareholder loans between MMG South America Management Co Ltd and its subsidiaries and security agreements over bank accounts of Minera Las Bambas S.A. These borrowings are also guaranteed on several bases by China Minmetals Non-ferrous Holding Co. Ltd and China Minmetals Corporation Limited, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG S.A., Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in MMG SAM.

25. PROVISIONS

	2016 US$ MILLION	2015 US$ MILLION
Non-current		
Employee benefits	1.2	2.8
Workers' compensation	0.9	0.9
Mine rehabilitation, restoration and dismantling[(a)]	780.7	772.1
Other non-current provisions	48.5	–
Total non-current provisions	**831.3**	**775.8**
Current		
Employee benefits	59.8	87.3
Workers' compensation	0.4	0.4
Mine rehabilitation, restoration and dismantling[(a)]	18.7	33.3
Other provisions	62.7	16.7
Total current provisions	**141.6**	**137.7**
Aggregate		
Employee benefits	61.0	90.1
Workers' compensation	1.3	1.3
Mine rehabilitation, restoration and dismantling[(a)]	799.4	805.4
Other provisions	111.2	16.7
Total provisions	**972.9**	**913.5**

(a) Mine rehabilitation, restoration and dismantling

	2016 US$ MILLION	2015 US$ MILLION
At 1 January	805.4	819.8
Additional provisions recognised	31.4	33.1
Payments made	(22.3)	(23.4)
Unwinding of discount on provisions (Note 7)	28.1	33.6
Exchange rate differences	(4.0)	(57.7)
Transferred to liabilities held for sale (Note 28)	(39.2)	–
At 31 December	**799.4**	**805.4**

Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences.

26. TRADE AND OTHER PAYABLES

The analysis of the trade and other payables is as follows:

	2016 US$ MILLION	2015 US$ MILLION
Non-current other payables		
Related party interest payable (Note 29(d))	–	107.4
Other payables and accruals	–	27.2
	–	**134.6**
Current trade and other payables		
Trade payables[1]		
Less than 6 months	291.4	149.5
More than 6 months	10.4	11.3
	301.8	160.8
Related party interest payable (Note 29(d))	198.7	–
Other payables and accruals	152.1	232.2
	652.6	**393.0**

1. As at 31 December 2016, the Group's trade payables included an amount of US$nil (2015: US$0.2 million) (Note 29(d)), which was due to a related company of the Group. The ageing analysis of the trade payables is based on the creditors' invoice date.

27. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss for the year to net cash generated from operating activities is as follows:

	2016 US$ MILLION	2015 US$ MILLION
Loss for the year	**(98.7)**	**(1,048.7)**
Adjustments for:		
Finance income (Note 7)	(3.3)	(3.8)
Finance costs (Note 7)	316.3	88.8
Depreciation, amortisation and impairment expenses	684.5	1,546.4
Gain on disposal of property, plant and equipment	–	(0.1)
Gain on fair value change in commodity derivatives (Note 5)	(21.5)	–
(Profit)/loss on financial assets (Note 5 and 6.1)	(6.2)	2.0
Share-based payment	4.9	18.0
Changes in working capital (excluding certain Las Bambas working capital and provision movements and business combination accounting):		
Inventories	(52.6)	4.0
Trade and other receivables	(89.7)	(69.7)
Trade payables and accruals, provisions and other payables	9.2	(21.1)
Tax assets and tax liabilities	(20.6)	(233.4)
Net cash generated from operating activities	**722.3**	**282.4**

(b) In the Consolidated Statement of Cash Flows, purchase of property, plant and equipment comprises:

	2016 US$ MILLION	2015 US$ MILLION
Total additions (Note 13)	1,082.5	2,077.7
Less: non-cash additions		
Transfer from provision for mine rehabilitation, restoration and dismantling	(30.2)	24.6
Less: cash flows reported in "Interest and financing costs paid"		
Capitalised interest (Note 13)	(211.4)	(352.2)
Less: Other (mainly certain Las Bambas working capital and provisions movements)	(69.9)	208.9
Purchase of property, plant and equipment	**771.0**	**1,959.0**

28. ASSETS AND LIABILITIES HELD FOR SALE

	2016 US$ MILLION	2015 US$ MILLION
Assets of disposal group classified as held for sale		
Avebury		
– Property, plant and equipment	18.8	18.8
Golden Grove		
– Property, plant and equipment (Note 13)	208.6	–
– Inventories	20.0	–
– Deferred income tax assets (Note 18)	3.9	–
– Trade and other receivables	8.9	–
Total	**260.2**	**18.8**
Liabilities of disposal group classified as held for sale		
Avebury		
– Mine rehabilitation, restoration and dismantling provisions	4.5	4.5
Golden Grove		
– Mine rehabilitation, restoration and dismantling provisions (Note 25)	39.2	–
– Employee Provisions	6.2	–
– Trade and other payables	18.7	–
– Deferred income tax liabilities (Note 18)	1.2	–
Total	**69.8**	**4.5**
Assets of disposal group classified as held for sale – net	**190.4**	**14.3**

AVEBURY

The Group continues to classify the Avebury nickel mine, which is on care and maintenance, as held for sale. In September 2016, MMG entered into a sale agreement with Dundas Mining Pty Ltd for the sale of the Avebury nickel mine for a consideration of $25 million Australian dollars, and the expected completion date is 31 March 2017.

GOLDEN GROVE

On 30 December 2016, the Group announced it had entered into a conditional share sale agreement to dispose of the Golden Grove mine, and the related assets and liabilities of the mine were classified as held for sale from that date.

On 25 January 2017, the Company announced that all of the conditions precedent to completion had been satisfied and completion would occur on 28 February 2017. Completion occurred on 28 February 2017.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by CMN through Top Create, a company incorporated in the British Virgin Islands, Album Enterprises, and China Minmetals H.K. (Holdings) Limited ("Minmetals HK"), all of which are subsidiaries of CMN. As at 31 December 2016, an aggregate of approximately 73.7% of the Company's shares are held by CMN and approximately 26.3% are widely held. The Directors consider the ultimate holding company is CMC, a company incorporated in the People's Republic of China ("PRC"), of which CMN is a subsidiary.

The Company was notified by CMC in January 2016 that, pursuant to a conditional sale and purchase agreement dated 31 December 2015 entered into among Album Enterprises and Top Create as vendors and Minmetals HK as purchaser, each of Album Enterprises and Top Create has agreed to transfer all its shares (as to 43.0% and 30.7% respectively) in the Company to Minmetals HK which is a subsidiary of CMC. The consideration for the share transfer will be settled by Minmetals HK issuing new shares to Album Enterprises and Top Create in proportion to their respective existing shareholdings in the Company. As at 31 December 2016, the share transfer is in progress and Album Enterprises, Top Create and Minmetals HK held approximately 29.4%, 20.4% and 23.9% of the shares of the Company respectively. Upon completion of the share transfer, Minmetals HK will hold in total approximately 73.7% of the shares of the Company.

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control or common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

CMC itself is a state-owned enterprise and is controlled by the PRC Government, which also owns a significant portion of productive assets in the PRC. In accordance with HKAS 24 "*Related Party Disclosures*" issued by the HKICPA, other state-owned enterprises and their subsidiaries (other than subsidiaries of CMC), directly or indirectly controlled by the PRC Government, are also defined as related parties of the Group. On that basis, related parties include CMC and its group companies, other state-owned enterprises and their subsidiaries directly or indirectly controlled by the PRC Government, the Company's joint arrangements and associates, and key management personnel of the Company and CMC as well as their close family members.

For the purposes of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed. In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Transactions with CMC and its group companies (other than those within the Group)

	2016 US$ MILLION	2015 US$ MILLION
Revenue		
Sales of non-ferrous metals[1]	1,063.8	159.3
Expenses		
Purchases of consumables	(3.8)	(2.0)
Finance costs – net		
Finance costs (Note 7)	(100.5)	(87.6)
Borrowing costs capitalised on qualifying assets	(43.9)	(79.5)

1. Included in the revenue for the year ended 31 December 2016 was US$223.4 million (2015: US$nil) sales of copper concentrate made by Las Bambas to CMC Group during the pre-commissioning phase. Las Bambas mine was commissioned for accounting purposes on 1 July 2016, therefore its sales revenue during the pre-commissioning phase was capitalised to property, plant and equipment in accordance with requirements under HKAS 16.

(b) Transactions and balances with other state-owned enterprises

During the year ended 31 December 2016, the Group's transactions with other state-owned enterprises (excluding CMC and its subsidiaries) are sales of non-ferrous metals and purchases of consumables and the related receivables and payables balances. In addition, a portion of fixed deposits, cash and cash equivalents and borrowings as at 31 December 2016 and the relevant interest earned or paid during the year were transacted with banks and other financial institutions controlled by the PRC Government including China Development Bank Corporation, Bank of China Limited, Industrial and Commercial Bank of China Limited and The Export-Import Bank of China.

The transactions of revenues and expenses in nature conducted with government-related entities were based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed.

(c) Key management compensation

Key management includes Directors (executive and non-executive) and members of the Executive Committee. The key management personnel remuneration for the Group was as follows:

	2016 US$ MILLION	2015 US$ MILLION
Salaries and other short-term employee benefits	6.3	6.8
Short-term incentives and discretionary bonus[1]	5.6	2.7
Long-term incentives[1]	7.2	8.6
Post-employment benefits	0.1	0.1
	19.2	**18.2**

1. In 2015, the total short and long-term incentives were lower for the five highest paid individuals, as disclosed in Note 31(b), due to the reversal of STI and LTI accruals on cessation of employment of certain key management personnel.

(d) Year-end balances

	2016 US$ MILLION	2015 US$ MILLION
Amounts payable to related parties		
Loan from Top Create[1] (Note 24)	2,261.3	2,261.3
Interest payable to Top Create[1] (Note 26)	198.7	107.4
Trade payable to CMN (Note 26)	–	0.2
	2,460.0	**2,368.9**
Amounts receivable from related parties		
Loan to Album Enterprises[2]	95.0	–
Trade receivables from CMN (Note 19)	228.4	6.6
	323.4	**6.6**

1. The loan amount from Top Create represents the amounts drawn by the Company on 22 July 2014 (US$1,843.8 million) and 16 February 2015 (US$417.5 million) pursuant to a facility agreement dated 22 July 2014 between MMG SA and Top Create. In accordance with the facility agreement, a loan facility of up to US$2,262.0 million was made available to MMG SA, for a period of four years commencing on the date of the drawdown of the loan. Interest is accrued on the outstanding balance drawn under the facility agreement at LIBOR plus 3.1% per annum and the loan is repayable at the end of the term.
2. The loan to Album Enterprises (US$95.0 million) represents the amount drawn by Album Enterprises on 23 December 2016. Monies were advanced to Album Enterprises at LIBOR plus 3.1% per annum. The loan to Album Enterprises described above was made pursuant to a facility agreement, dated 23 December 2016, between MMG Finance Limited (a subsidiary of the Group) and Album Enterprises. Under the facility agreement, a loan facility of US$95.0 million was made available to Album Enterprises, for a period of 90 days commencing on the date of facility drawdown.

30. FINANCIAL AND OTHER RISK MANAGEMENT

30.1 FINANCIAL RISK FACTORS

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

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

(a) Commodity price risk

The prices of copper, zinc, lead, gold, and silver are affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned. The Group has entered into a series of commodity price contracts for copper during the reporting period, refer to Note 12 for details on the Group's commodity price contracts in place as at 31 December 2016.

The following table outlines the commodity price contracts outstanding at 31 December 2016:

	YEAR ENDED 31 DECEMBER 2016		
OUTSTANDING CONTRACTS	TONNES VALUE	NOTIONAL VALUE US$ MILLION	FAIR VALUE ASSETS (LIABILITIES) US$ MILLION
Less than 3 months	59,320.0	341.7	14.7
3 to 6 months	15,532.0	87.7	2.0
Total	**74,852.0**	**429.4**	**16.7**

The following table details the sensitivity of the Group's commodity price contracts balance to movement in commodity prices. At the reporting date, if the commodity prices increased/decreased by 10% and all other variables were held constant, the Group's after tax loss and other comprehensive income ("OCI") would have changed as follows:

	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX[1] 2016	INCREASE/ (DECREASE) IN OCI 2016
US$ MILLION		
Copper price +10%	28.9	–
Copper price -10%	(28.9)	–

1. The impact on the net loss after tax is expected to be US$nil when combined with the change in value of those sales covered by the commodity price contracts.

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

	2016			2015		
COMMODITY	COMMODITY PRICE MOVEMENT	DECREASE LOSS US$ MILLION	INCREASE LOSS US$ MILLION	COMMODITY PRICE MOVEMENT	DECREASE LOSS US$ MILLION	INCREASE LOSS US$ MILLION
Zinc	10%	(5.1)	5.1	10%	(3.6)	3.6
Copper	10%	(53.8)	53.8	10%	(8.2)	8.2
Lead	10%	(0.1)	0.1	10%	(0.1)	0.1
Total		**(59.0)**	**59.0**		**(11.9)**	**11.9**

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents have been disclosed in Note 21 while the details of the Group's borrowings are set out in Note 24.

The Group regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed periodically in light of the Group's overall exposure, the prevailing interest rate market and any funding counterparty requirements. Regular reporting which summarises the Group's debt and interest rates is provided to the Executive Committee. As at 31 December 2016 and 2015, if the interest rate had increased/(decreased) by 100 basis points with all other variables held constant, post-tax profit/(loss) and OCI would have changed as follows:

	2016				2015			
	–100 BASIS POINTS		+100 BASIS POINTS		–100 BASIS POINTS		+100 BASIS POINTS	
US$ MILLION	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
Financial assets								
Cash and cash equivalents	3.9	–	(3.9)	–	4.2	–	(4.2)	–
Financial liabilities								
Borrowings	(39.8)	–	39.8	–	(6.7)	–	6.7	–
Total	**(35.9)**	**–**	**35.9**	**–**	**(2.5)**	**–**	**2.5**	**–**

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

If the sensitivity analysis had included capitalised interest on borrowings in relation to development projects, the rate variation would have increased or decreased Property, Plant and Equipment by US$31.2 million (2015: US$65.0 million) with the corresponding offset in cash and cash equivalents.

(c) Foreign exchange risk

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

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

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

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

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

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

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

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

US$ MILLION	NOTE	US$	PEN	A$	HK$	OTHERS	TOTAL
As at 31 December 2016							
Financial assets							
Cash and cash equivalents	21	521.9	14.7	10.0	2.6	3.5	**552.7**
Trade receivables	19	406.6	–	–	–	–	**406.6**
Other and sundry receivables	19	69.9	0.2	–	–	0.6	**70.7**
Derivative assets	12	16.7	–	–	–	–	**16.7**
Financial liabilities							
Trade and other payables	26	(468.3)	(117.2)	(59.5)	–	(7.6)	**(652.6)**
Derivative liabilities	12	(5.8)	–	–	–	–	**(5.8)**
Borrowings (excluding prepayments)	24	(10,339.5)	–	–	–	–	**(10,339.5)**
		(9,798.5)	**(102.3)**	**(49.5)**	**2.6**	**(3.5)**	**(9,951.2)**
As at 31 December 2015							
Financial assets							
Cash and cash equivalents	21	583.1	1.7	7.4	–	6.1	**598.3**
Trade receivables	19	38.1	–	–	–	–	**38.1**
Other and sundry receivables	19	134.0	2.9	11.4	–	–	**148.3**
Financial liabilities							
Trade and other payables	26	(398.2)	(43.9)	(85.5)	–	–	**(527.6)**
Derivative liabilities	12	(0.3)	–	–	–	–	**(0.3)**
Borrowings (excluding prepayments)	24	(10,357.8)	–	–	–	–	**(10,357.8)**
		(10,001.1)	**(39.3)**	**(66.7)**	**–**	**6.1**	**(10,101.0)**

Based on the Group's net financial assets and liabilities excluding the derivative assets and liabilities as at 31 December 2016 and 2015, a movement of the US dollar against the principal non-functional currencies as illustrated in the table below, with all other variables held constant, would cause increase/(decrease) in post tax loss and OCI as follows:

	2016				2015			
	WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR		WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR	
US$ MILLION	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET LOSS AFTER TAX	INCREASE/ (DECREASE) IN OCI
10%movement in Australian dollar (2015: 10%)	3.5	–	(3.5)	–	4.7	–	(4.7)	–
10%movement in Peruvian sol (2015: 10%)	7.0	–	(7.0)	–	2.7	–	(2.7)	–
Total	**10.5**	**–**	**(10.5)**	**–**	**7.4**	**–**	**(7.4)**	**–**

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions.

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

The Group's most significant customers are CMN and Trafigura Pte Ltd. The revenue earned from CMN and Trafigura Pte Ltd are approximately 37.9% and 15.0% respectively (2015: Nyrstar Sales and Marketing AG with 33.4%) of revenue for the year. The largest debtor as at 31 December 2016 is CMN with a balance of US$228.4 million (2015: Trafigura Beheer B.V. with US$9.4 million) and the five largest debtors accounted for 94.2% (2015: 88.2%) of the Group's trade receivables. Credit risk arising from sales to large concentrate customers is managed by contracts that stipulate a provisional payment of at least 90% of the estimated value of each sale. For most sales a second provisional payment is received within 60 days of the vessel arriving at the port of discharge. Final payment is recorded after completion of the quotation period and assaying. The credit risk by geographic region was:

	AS AT 31 DECEMBER	
US$ MILLION	**2016**	**2015**
Australia	9.3	5.9
Europe	26.5	26.0
Asia	370.8	6.2
	406.6	**38.1**

(e) Liquidity risk

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

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

US$ MILLION	WITHIN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
At 31 December 2016					
Financial assets					
Cash and cash equivalents (Note 21)	552.7	–	–	–	**552.7**
Trade and other receivables (Note 19)	413.1	64.2	–	–	**477.3**
Derivative assets – gross settled					
– Inflows	429.4	–	–	–	**429.4**
– Outflows	(412.7)	–	–	–	**(412.7)**
Financial liabilities					
Trade and other payables (including accrued interest) (Note 26)	(652.6)	–	–	–	**(652.6)**
Derivative financial liabilities – (foreign exchange option contracts)	(1.2)	–	–	–	**(1.2)**
Derivative financial liabilities – gross settled					
– Inflows	124.7	10.8	–	–	**135.5**
– Outflows	(128.9)	(11.2)	–	–	**(140.1)**
Borrowings (including unaccrued interest)	(1,361.6)	(3,207.1)	(2,757.4)	(6,100.1)	**(13,426.2)**
	(1,037.1)	**(3,143.3)**	**(2,757.4)**	**(6,100.1)**	**(13,037.9)**
At 31 December 2015					
Financial assets					
Cash and cash equivalents (Note 21)	598.3	–	–	–	**598.3**
Trade and other receivables (Note 19)	173.2	13.2	–	–	**186.4**
Financial liabilities					
Trade and other payables (including accrued interest) (Note 26)	(420.2)	(107.4)	–	–	**(527.6)**
Forward foreign exchange contracts net settled	(0.3)	–	–	–	**(0.3)**
Borrowings (including unaccrued interest)	(383.1)	(1,350.9)	(5,097.3)	(6,781.5)	**(13,612.8)**
	(32.1)	**(1,445.1)**	**(5,097.3)**	**(6,781.5)**	**(13,356.0)**

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

30.2 SOVEREIGN RISK

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

Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability.

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

30.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents and short-term monetary financial assets and financial liabilities approximate their carrying values. The fair values of other monetary financial assets and liabilities are either based upon market prices, where a market exists, or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles.

The fair value of listed equity investments has been valued by reference to market prices prevailing at the reporting date.

The carrying value of trade and other receivables less impairment provisions and trade payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

The carrying amounts and fair values of financial assets and liabilities by category and class at 31 December 2016 and 2015 are:

US$ MILLION	NOTE	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	LIABILITIES AT AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
As at 31 December 2016							
Financial assets							
Cash and cash equivalents	21	552.7	–	–	–	**552.7**	**552.7**
Trade receivables	19	406.6	–	–	–	**406.6**	**406.6**
Other and sundry receivables	19	70.7	–	–	–	**70.7**	**70.7**
Loan to a related party	29(d)	95.0	–	–	–	**95.0**	**95.0**
Other financial assets	20	11.6	–	1.1	–	**12.7**	**12.7**
		1,136.6	**–**	**1.1**	**–**	**1,137.7**	**1,137.7**
Financial liabilities							
Trade and other payables	26	–	–	–	652.6	**652.6**	**652.6**
Borrowings	24	–	–	–	10,253.2	**10,253.2**	**10,253.2**
		–	**–**	**–**	**10,905.8**	**10,905.8**	**10,905.8**
As at 31 December 2015							
Financial assets							
Cash and cash equivalents	21	598.3	–	–	–	**598.3**	**598.3**
Trade receivables	19	38.1	–	–	–	**38.1**	**38.1**
Other and sundry receivables	19	148.3	–	–	–	**148.3**	**148.3**
Other financial assets	20	10.3	14.5	2.5	–	**27.3**	**27.3**
		795.0	**14.5**	**2.5**	**–**	**812.0**	**812.0**
Financial liabilities							
Trade and other payables	26	–	–	–	527.6	**527.6**	**527.6**
Borrowings	24	–	–	–	10,263.1	**10,263.1**	**10,267.8**
		–	**–**	**–**	**10,790.7**	**10,790.7**	**10,795.4**

30.4 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by the valuation method. The different levels have been defined as follows:

– quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

– inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016 and 2015.

US$ MILLION	NOTE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets					
As at 31 December 2016					
Financial assets at fair value through profit and loss – listed[1]	20	1.1	–	–	1.1
Derivative used for commodity hedging[2]	12	–	16.7	–	16.7
Derivatives used for cash flow hedging[2]	12	–	(5.8)	–	(5.8)
		1.1	**10.9**	**–**	**12.0**
As at 31 December 2015					
Financial assets at fair value through profit and loss – listed[1]	20	2.5	–	–	2.5
Derivative used for cash flow hedging[2]	12	–	(0.3)	–	(0.3)
Available-for-sale financial assets – listed[1]	20	14.5	–	–	14.5
		17.0	**(0.3)**	**–**	**16.7**

There were no transfers between levels 1, 2 and 3 during the year.

1. The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Instruments included in level 1 comprise investments in listed stock exchanges.
2. Derivative financial instruments have been valued using quoted market rates outlined in detail as below:
   – FECs and commodity price contracts have been valued using discounted cash flows. Future cash flows of FECs are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period). Future cash flows of commodity price contracts are estimated based on LME contract futures rates for commodities. These cash flows are discounted at a rate that reflects the credit risk of various counterparties.
   – European Option Collars have been valued using an option pricing model (Garman-Kohlhagen).
   These valuation techniques maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates.

30.5 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 gearing ratio for the MMG Group is set out below, with gearing defined as net debt (total borrowings excluding finance charge prepayments, less cash and cash equivalents) divided by the aggregate of net debt plus total equity.

MMG GROUP	2016 US$ MILLION	2015 US$ MILLION
Total borrowings (excluding prepayments)[1] (Note 24)	10,339.5	10,357.8
Less: cash and cash equivalents (Note 21)	552.7	598.3
Net debt	**9,786.8**	**9,759.5**
Total equity	2,589.6	2,175.2
Net debt + Total equity	**12,376.4**	**11,934.7**
Gearing ratio	**0.79**	**0.82**

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

Under the terms of relevant debt facilities held by the MMG Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,261.3 million (2015:US$2,261.3 million) of shareholder debt that was used to fund the MMG Group's equity contribution to the Las Bambas Joint Venture Company, MMG SAM. For the purpose of the above, it has however been included as borrowings.

Available debt facilities

As at 31 December 2016, the Group (excluding the MMG South America Management Group) had available undrawn bank debt facilities of US$320.0 million (2015: US$850.0 million), including:

– US$220.0 million available under the amended US$550.0 million exclusive Dugald River facility, which can only be used for the purpose of funding the Dugald River project; and

– US$100.0 million available under the existing US$300.0 million ICBC term and revolving facility, which is only available for drawing until 20 April 2017, being the date which falls one month prior to the maturity of the facility.

In addition, as at 31 December 2016, US$0.7 million of the facility provided by Top Create Resources Limited, a Shareholder of the Company, remained undrawn (2015: US$0.7 million).

As at 31 December 2016, the MMG South America Management Group had available undrawn bank debt facilities of US$252.3 million (2015: US$265.7 million), which is available exclusively for the MMG South America Management Group, including:

– US$250.0 million available under the existing US$350.0 million BOC Sydney Working Capital Revolving Facility, which was first established during the year; and

– US$2.3 million available under the existing Las Bambas Project Facility with syndicate lenders led by China Development Bank Corporation.

31. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2016 is set out below:

	FOR THE YEAR ENDED 31 DECEMBER 2016					
NAME OF DIRECTOR	FEES US$'000	SALARIES US$'000	OTHER BENEFITS[1] US$'000	SHORT-TERM INCENTIVE PLANS[2] US$'000	LONG-TERM INCENTIVE PLANS[3] US$'000	TOTAL US$'000
Mr Jiao Jian	355	–	4	–	–	359
Mr Andrew Gordon Michelmore[4, 5]	–	1,824	20	2,358	4,043	8,245
Mr Xu Jiqing[5]	–	587	91	580	990	2,248
Mr Gao Xiaoyu	150	–	6	–	–	156
Mr Leung Cheuk Yan	150	–	–	–	–	150
Dr Peter William Cassidy	158	–	2	–	–	160
Ms Jennifer Anne Seabrook	162	–	2	–	–	164
Professor Pei Ker Wei	150	–	4	–	–	154
	1,125	**2,411**	**129**	**2,938**	**5,033**	**11,636**

1. Other benefits include statutory superannuation and pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.
2. Short-term incentive (STI) plans include at-risk, performance-linked remuneration STI plans and discretionary bonuses paid in relation to the completion of Las Bambas.

   The STI plan is an annual cash award determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs, and operational safety.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. All employees on long-term employment contracts are eligible to participate in a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.
3. Long-term incentive (LTI) plans include at-risk, performance-linked remuneration LTI plans and an Executive plan (EP).

   The 2016 and 2013 Long Term Incentive Equity (LTIE) plans are comprised of a Share Option Scheme and a cash-settled award vesting at the conclusion of three performance years. The 2014 LTI plan is a cash-settled award vesting at the conclusion of three performance years. The 2015 LTIE plan is a Performance Awards Scheme vesting at the conclusion of three performance years. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources and market-related performance targets at the conclusion of the respective vesting period.

   The 2014 EP is a cash-settled award vesting at the conclusion of three years provided that the EP recipient remains in employment with the Group until the end of the period. Participation in the EP is at the Board's discretion and limited to senior executives.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. The LTI and LTIE plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome.
4. Mr Andrew Gordon Michelmore is also the chief executive.
5. The above table sets out the Director's remuneration for the year ended 31 December 2016. The accounting values of the Executive Directors' remuneration are reported in accordance with Accounting Standards and may not always reflect what the Executive Directors have actually received, particularly due to the valuation of LTIs. The actual remuneration paid or to be paid to the Executive Directors for the financial year ended 31 December 2016, which consists of salaries and the 2016 STI plan, is set out below:

NAME OF DIRECTOR	2016 US$'000	2015 US$'000
Mr Andrew Gordon Michelmore	4,202	3,188
Mr Xu Jiqing	1,258	1,036
Mr David Mark Lamont1	–	886

1. Resigned as an Executive Director and Chief Financial Officer of the Company on 9 December 2015.

The remuneration of every Director for the year ended 31 December 2015 is set out below:

	FOR THE YEAR ENDED 31 DECEMBER 2015					
NAME OF DIRECTOR	FEES US$'000	SALARIES US$'000	OTHER BENEFITS US$'000	SHORT-TERM INCENTIVE PLANS US$'000	LONG-TERM INCENTIVE PLANS US$'000	TOTAL US$'000
Mr Jiao Jian	352	–	1	–	–	353
Mr Andrew Gordon Michelmore[1]	–	1,845	18	1,325	6,525	9,713
Mr David Mark Lamont[2]	–	870	16	(192)	(457)	237
Mr Xu Jiqing	–	594	79	358	863	1,894
Mr Wang Lixin[3]	95	–	–	–	–	95
Mr Gao Xiaoyu	148	–	2	–	–	150
Mr Leung Cheuk Yan	148	–	–	–	–	148
Dr Peter William Cassidy	163	–	1	–	–	164
Mr Anthony Charles Larkin[4]	68	–	2	–	–	70
Ms Jennifer Anne Seabrook[5]	74	–	–	–	–	74
Professor Pei Ker Wei[6]	64	–	–	–	–	64
	1,112	**3,309**	**119**	**1,491**	**6,931**	**12,962**

1. Mr Andrew Gordon Michelmore is also the chief executive.
2. Resigned as an Executive Director and Chief Financial Officer of the Company on 9 December 2015. This resulted in the reversal of short-term and long-term incentives accrued in prior years as these entitlements lapsed upon resignation.
3. Resigned as a Non-executive Director of the Company on 29 June 2015.
4. Resigned as an Independent Non-executive Director of the Company on 20 May 2015.
5. Appointed as an Independent Non-executive Director of the Company on 17 July 2015.
6. Appointed as an Independent Non-executive Director of the Company on 28 July 2015.

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 Directors (2015: 2) whose emoluments are reflected in the analysis presented above and three senior executives whose remuneration by band are set out in the "Senior management remuneration by band" section in this Note.

Details of the emoluments payable to all five individuals during the year are as follows:

	2016 US$'000	2015 US$'000
Salaries and other short-term employee benefits	4,619	4,394
Short-term incentives and discretionary bonus	5,086	2,979
Long-term incentives	6,636	9,389
Post-employment benefits	72	70
	16,413	**16,832**

During the year, no Director waived any emoluments and no emoluments were paid or payable by the Group to the Directors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management remuneration by band

The emoluments fell within the following bands:

		NUMBER OF INDIVIDUALS	
		2016	2015
HK$1,000,001–HK$1,500,000	(US$128,900–US$193,350)[1]	–	1
HK$3,000,001–HK$3,500,000	(US$386,700–US$451,150)	–	1
HK$6,500,001–HK$7,000,000	(US$837,850–US$902,300)	–	1
HK$8,500,001–HK$9,000,000	(US$1,095,650–US$1,160,100)	–	1
HK$11,500,001–HK$12,000,000	(US$1,482,350–US$1,546,800)	–	1
HK$12,000,001–HK$12,500,000	(US$1,546,800–US$1,611,250)	1	–
HK$12,500,001–HK$13,000,000	(US$1,611,250–US$1,675,700)	1	
HK$14,000,001–HK$14,500,000	(US$1,804,600–US$1,869,050)	1	
HK$14,500,001–HK$15,000,000	(US$1,869,050–US$1,933,500)	–	1
HK$17,000,001–HK$17,500,000	(US$2,191,300–US$2,255,750)	1	–
HK$19,000,001–HK$19,500,000	(US$2,449,100–US$2,513,550)	1	–
HK$20,000,001–HK$20,500,000	(US$2,578,000–US$2,642,450)	–	1
HK$63,500,001–HK$64,000,000	(US$8,185,150–US$8,249,600)	1	–
HK$75,000,001–HK$75,500,000	(US$9,667,500–US$9,731,950)	–	1
		6	**8**

1. The banding for this executive in 2015 was based on the period of employment of the executive.

32. LONG-TERM INCENTIVE EQUITY PLANS

2013 SHARE OPTION SCHEME

Pursuant to the share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), there were 250,900,192 options outstanding as at 31 December 2016 (2015: 138,711,140), of which 101,751,593 (2015: nil) had vested and were exercisable. The outstanding options represent approximately 3.16% (2015: 2.62%) of the total number of issued shares of the Company as at 31 December 2016.

During the year ended 31 December 2016, the movements in the number of 2013 Options and 2016 Options granted under the 2013 Share Option Scheme were as follows:

(i) 2013 Options

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1,2,3]	EXERCISE PRICE PER SHARE (HK$)[2,4]	EXERCISE PERIOD[2,5]	NUMBER OF OPTIONS					
				BALANCE AS AT 1 JANUARY 2016	GRANTED DURING THE YEAR[2,3,4]	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[6]	BALANCE AS AT 31 DECEMBER 2016
Directors									
Andrew Michelmore	9 April 2013	2.51	9 April 2016 to 8 April 2020	28,150,200	–	–	–	(9,382,462)	18,767,738
	13 December 2016	2.51	13 December 2016 to 8 April 2020	–	835,165	–	–	–	835,165
Xu Jiqing	15 December 2016	2.51	15 December 2016 to 8 April 2020	–	2,626,701	–	–	–	2,626,701
Employees of the Group	9 April 2013	2.51	9 April 2016 to 8 April 2020	110,560,940	–	–	–	(37,583,072)	72,977,868
	13 December 2016	2.51	13 December 2016 to 8 April 2020	–	3,247,515	–	–	–	3,247,515
	15 December 2016	2.51	15 December 2016 to 8 April 2020	–	3,296,606	–	–	–	3,296,606
				138,711,140	**10,005,987**	**–**	**–**	**(46,965,534)**	**101,751,593**

1. The closing price of the shares of the Company immediately before the date on which options were granted on 9 April 2013 was HK$2.45 per share.
2. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the share option scheme, the exercise price and the number of Shares issuable upon exercise of 2013 Options were adjusted as a result of the Rights Issue, with effect from 13 December 2016.
3. Options were also granted to certain employees of the Company and its subsidiaries as a result of conversion of their cash-based entitlements. These options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which options were granted on 15 December 2016 was HK$2.25 per share.
4. As a result of the Rights Issue, the exercise price per share was adjusted from HK$2.62 to HK$2.51.
5. The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, reserves and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. Options lapsed due to a combination of cessation of employment and non-achievement of performance conditions before the completion of the vesting period.

During the year ended 31 December 2015, the movements in the number of 2013 Options granted under the 2013 Share Option Scheme were as follows:

				NUMBER OF OPTIONS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1]	EXERCISE PRICE PER SHARE (HK$)	EXERCISE PERIOD[2]	BALANCE AS AT 1 JANUARY 2015	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR3	BALANCE AS AT 31 DECEMBER 2015
Directors									
Andrew Michelmore	9 April 2013	2.62	9 April 2016 to 8 April 2020	28,150,200	–	–	–	–	28,150,200
David Lamont	9 April 2013	2.62	9 April 2016 to 8 April 2020	6,240,582	–	–	–	(6,240,582)	–
Employees of the Group	9 April 2013	2.62	9 April 2016 to 8 April 2020	119,451,940	–	–	–	(8,891,000)	110,560,940
				153,842,722	**–**	**–**	**–**	**(15,131,582)**	**138,711,140**

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK$2.45 per share.
2. The vesting period of the options is three years from the date of grant. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of financial, reserves and market-related performance targets during the vesting period.
3. Options lapsed due to cessation of employment.

The estimated fair value of the options granted on 9 April 2013 was approximately US$0.1356 each, estimated as at the date of grant by using the Black-Scholes option-pricing model.

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.68%; the expected volatility used in calculating the value of options was 46% and the expected dividend was assumed to be nil.

The 2013 Options vested on 9 April 2016 with an overall outcome of 66.67% of the target values. The validity period of the options is seven years from the date of grant to 8 April 2020.

During the year, the Group recognised a reversal of share option expense of approximately US$5.9 million in relation to the 2013 Options (2015: share option expense of approximately US$13.0 million).

(ii) 2016 Options

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1]	EXERCISE PRICE PER SHARE (HK$)	EXERCISE PERIOD[2]	NUMBER OF OPTIONS BALANCE AS AT 1 JANUARY 2016	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AS AT 31 DECEMBER 2016
Directors									
Andrew Michelmore	15 December 2016	2.29	1 January 2019 to 31 December 2022	–	25,400,000	–	–	–	25,400,000
Xu Jiqing	15 December 2016	2.29	1 January 2019 to 31 December 2022	–	3,493,261	–	–	–	3,493,261
Employees of the Group	15 December 2016	2.29	1 January 2019 to 31 December 2022	–	120,255,338	–	–	–	120,255,338
				–	**149,148,599**	**–**	**–**	**–**	**149,148,599**

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of vested options subject to a 12 month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the threshold and target performance levels achieved.

The estimated fair value of the options granted on 15 December 2016 was approximately US$0.1371 each, estimated as at the date of grant by using the Black-Scholes option-pricing model.

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.89%; the expected volatility used in calculating the value of options was 40% and the expected dividend was assumed to be nil.

The validity period of the options is from the date of grant until seven years from 1 January 2016 to 31 December 2022. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018. If a participant leaves employment before the expiry of the vesting period, the option will lapse unless the participant leaves due to certain specific reasons including ill-health, injury or disability, retirement with the agreement of the employer, redundancy, death, the participating employing company ceasing to be part of the Group and any other reason, if the Board so decides.

During the year, the Group recognised a share option expense of approximately US$3.4 million in relation to the 2016 Options.

2015 Performance Awards

On 19 May 2015, the Company granted performance awards to the eligible participants pursuant to the Long-Term Incentive Equity Plan (2015 Performance Awards). There were 77,070,006 performance awards outstanding as at 31 December 2016 (2015: 76,087,500), none of which had vested, representing approximately 0.97% (2015: 1.44%) of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2016, the movements in the number of 2015 Performance Awards granted were as follows:

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT	NUMBER OF PERFORMANCE AWARDS					
		BALANCES AS AT 1 JANUARY 2016	GRANTED DURING THE YEAR[1]	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[2]	BALANCE AS AT 31 DECEMBER 2016
Directors							
Andrew Michelmore	19 May 2015	15,100,000	–	–	–	–	15,100,000
	13 December 2016	–	671,950	–	–	–	671,950
Xu Jiqing	19 May 2015	1,800,000	–	–	–	–	1,800,000
	13 December 2016	–	80,100	–	–	–	80,100
Employees of the Group	19 May 2015	59,187,500	–	–	–	(2,324,000)	56,863,500
	13 December 2016	–	2,554,456	–	–	–	2,554,456
Total		**76,087,500**	**3,306,506**	**–**	**–**	**(2,324,000)**	**77,070,006**

1. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, the number of Shares issuable upon exercise of 2015 Performance Awards was adjusted as a result of the Rights Issue, with effect from 13 December 2016.
2. Performance awards lapsed due to cessation of employment.

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

CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT	NUMBER OF PERFORMANCE AWARDS					
		BALANCES AS AT 1 JANUARY 2015	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[1]	BALANCE AS AT 31 DECEMBER 2015
Directors							
Andrew Michelmore	19 May 2015	–	15,100,000	–	–	–	15,100,000
David Lamont	19 May 2015	–	2,600,000	–	–	(2,600,000)	–
Xu Jiqing	19 May 2015	–	1,800,000	–	–	–	1,800,000
Employees of the Group	19 May 2015	–	60,267,500	–	–	(1,080,000)	59,187,500
Total		**–**	**79,767,500**	**–**	**–**	**(3,680,000)**	**76,087,500**

1. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of resources growth and financial and market-related targets. The performance period is a three-year period from 1 January 2015 to 31 December 2017. Time of vesting will be on or around April 2018. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

During the year, the Group recognised a share award expense of approximately US$7.4 million in relation to the 2015 Performance Awards (2015: US$5.4 million).

33. COMMITMENTS

(a) Operating leases

The Group leases various warehouses, offices and factory premises under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 US$ MILLION	2015 US$ MILLION
Within one year	7.5	8.9
Over one year but not more than five years	7.8	14.6
Over five years	–	0.2
	15.3	**23.7**

(b) Capital commitments

Commitments for capital expenditure contracted for at the reporting date but not recognised as liabilities, are set out in the table below:

	2016 US$ MILLION	2015 US$ MILLION
Property, plant and equipment		
Within one year	194.5	707.4
Over one year but not more than five years	11.8	–
	206.3	**707.4**
Intangible assets		
Not later than one year	2.8	3.6
	2.8	**3.6**

	2016 US$ MILLION	2015 US$ MILLION
Aggregate		
Property, plant and equipment and intangible assets		
Contracted but not provided for	209.1	711.0
	209.1	**711.0**

34. CONTINGENT LIABILITIES

BANK GUARANTEES

Certain bank guarantees have been provided in connection with the operations of certain subsidiaries of the Company primarily associated with the terms of mining leases, mining concessions, exploration licences or key contracting arrangements. At the end of the year, no material claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authorities. These guarantees amount to US$383.4 million as at 31 December 2016 (31 December 2015: US$491.2 million).

CONTINGENT LIABILITIES – TAX RELATED CONTINGENCIES

Tax authorities conduct regular routine tax reviews and audits on the Group. The final outcome cannot be determined with sufficient reliability. The consolidated statement of financial position currently reflects all probable taxation liabilities and reasonable steps are being undertaken in relation to all potential tax uncertainty.

35. EVENTS AFTER THE REPORTING PERIOD

SALE OF GOLDEN GROVE

The Group completed the sale of Golden Grove to EMR capital on 28 February 2017 for gross proceeds of US$210.0 million. All completion requirements were met on 28 February 2017 and the Group will cease to consolidate Golden Grove from that date. The sale agreement provides EMR Capital the economic benefit of operations at Golden Grove from 1 January 2017 to 28 February 2017 by a post settlement adjustment to the sale price. An estimated net profit after tax of between US$10.0 million and US$30.0 million will be recognised from the disposal of the Golden Grove in the Group's 2017 financial year.

SALE OF CENTURY MINE

On 28 February 2017 the Group entered into agreements with Century Mine Rehabilitation Project Pty Ltd, a subsidiary of Century Bull Pty Ltd ("Century Bull") who is independent to the Group to effect the disposal of assets and infrastructure associated with the Century mine. The disposal will benefit the Group by allowing it to remain focused on the development and operation of world class mining assets, through transferring the assets and transferring rehabilitation obligations in respect of the Century mine to a specialist in economic rehabilitation of mine sites whilst capping the Groups future expected liabilities related to the Century mine. The sale received unconditional approval from the MMG board in February 2017 and the sale completed on 28 February 2017. Century Bull is a specialist in economic rehabilitation of mine sites while using existing infrastructure and remnant mineralisation (zinc bearing tailings) to generate ongoing economic contribution. As legal owner of the Century mine, Century Bull has assumed overall accountability for rehabilitation and care for country responsibilities, in consultation with Native Title groups.

As at 31 December 2016, the book value of Century amounted to a net liability of US$148.2 million including rehabilitation liabilities of approximately US$317.0 million. As a result of the sales agreements the Group has agreed to provide a bank guarantee facility of A$193 million (approximately US$148.1 million) for the benefit of Century Bull until 31 December 2026. The guarantees have been procured to support certain obligations (Principal Obligations) Century is required to perform in operating the Century Mine business including rehabilitation activities. Century Bull is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees.

The Group will recognise the fair value of the guarantee as a financial liability until expiry of the guarantee period which is capped at a maximum of A$193 million (approximately US$148.1 million). Century Bull must ensure that, within 90 days of the end of each financial year, the bank guarantee is reduced by not less than 40% of the Century mine's EBITDA in respect of a financial year. In addition the Group will make an additional contribution of A$34.5 million (approximately US$26.5 million) over three years, to provide short term support to Century Bull during their transition period in respect to their obligations around site upkeep and environmental maintenance and monitoring. The Group will also establish a special purpose trust of A$12.1 million (approximately US$9.3 million), managed independently by Equity Trustees to support Century Bull in meeting Century's existing obligations and agreed community projects for the benefit of Lower Gulf communities.

The Group expects an estimated net loss after tax of between US$5.0 million and US$20.0 million in the 2017 financial year as a result of the transaction.

Other than the matters outlined in these financial statements, there have been no matters that have occurred subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs in future years.

36. COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company Statement of Financial Position

	NOTE	AS AT 31 DECEMBER 2016 US$ MILLION	2015 US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment		0.3	0.5
Loan to subsidiaries		294.2	0
Interests in subsidiaries		2,735.3	2,735.3
		3,029.8	**2,735.8**
Current assets			
Other receivables		–	0.4
Cash and cash equivalents		2.7	0.1
		2.7	**0.5**
Total assets		**3,032.5**	**2,736.3**
EQUITY			
Capital and reserves			
Share capital		2,863.3	2,359.1
Reserves and accumulated losses	(b)	(909.1)	(679.8)
Total equity		**1,954.2**	**1,679.3**
LIABILITIES			
Non-current liabilities			
Loans from subsidiaries		1,070.2	1,056.7
		1,070.2	**1,056.7**
Current liabilities			
Other payables		8.1	0.3
		8.1	**0.3**
Total liabilities		**1,078.3**	**1,057.0**
Total equity and liabilities		**3,032.5**	**2,736.3**

JIAN Jiao
CEO and Executive Director

JIQING Xu
Executive Director

(b) Company reserves and accumulated losses

US$ MILLION	SPECIAL CAPITAL RESERVE	SHARE OPTION RESERVE	ACCUMULATED LOSSES	TOTAL
At 1 January 2015	9.4	2.2	197.9	**209.5**
Loss for the year	–	–	(907.3)	**(907.3)**
Employee share options	–	18.0	–	**18.0**
At 31 December 2015	**9.4**	**20.2**	**(709.4)**	**(679.8)**
Loss for the year	–	–	(234.2)	**(234.2)**
Employee share options	–	4.9	–	**4.9**
At 31 December 2016	**9.4**	**25.1**	**(943.6)**	**(909.1)**

FIVE-YEAR FINANCIAL SUMMARY

US$ MILLION	2016	2015	2014	2013	2012[1]
Results – the Group					
Continuing operations					
Revenue	2,488.8	1,950.9	2,479.8	2,469.8	2,499.4
EBITDA	**949.2**	**420.9**	**780.8**	**750.9**	**737.9**
EBIT	**264.7**	**(1,125.5)**	**243.7**	**278.3**	**429.2**
Finance income	3.3	3.8	3.3	2.8	4.5
Finance costs	(316.3)	(88.8)	(82.7)	(80.0)	(92.2)
Profit/(loss) before income tax	(48.3)	(1,210.5)	164.3	201.1	341.5
Income tax credit/(expense)	(50.4)	161.8	(65.1)	(78.6)	(107.4)
Profit/(loss) for the year	**(98.7)**	**(1,048.7)**	**99.2**	**122.5**	**234.1**
Attributable to:					
Equity holders of the Company	(152.7)	(1,026.5)	103.8	103.3	209.1
Non-controlling interests	54.0	(22.2)	(4.6)	19.2	25.0
	(98.7)	**(1,048.7)**	**99.2**	**122.5**	**234.1**

A summary of the Group results that relate to current operations involving the exploration for, and development of mining projects, is presented below.

US$ MILLION	2016	2015	2014	2013	2012[1]
Results – current operations					
EBIT	264.7	(1,125.5)	243.7	278.3	429.2
Significant non-recurring items	–	897.0	–	–	–
Underlying EBIT[2]	**264.7**	**(228.5)**	**243.7**	**278.3**	**429.2**

1. The results for 2012 have been restated due to a change in accounting policy as disclosed in Note 2 to the consolidated financial statements presented in the 2013 Annual Report of the Company.
2. Underlying EBIT represents EBIT adjusted for significant non-recurring items (before tax).

US$ MILLION	2016	2015	2014	2013	2012[1]
Assets and liabilities – the Group					
Property, plant and equipment	12,084.3	11,873.0	11,100.8	3,323.1	3,204.8
Intangible assets	620.6	628.6	839.0	284.0	230.9
Inventories	375.5	342.9	332.9	351.9	354.4
Trade and other receivables	915.7	801.2	620.4	303.9	254.1
Loan to a related party	95.0	–	80.0	–	100.0
Cash and cash equivalents	552.7	598.3	251.2	137.4	95.7
Other financial assets	12.7	27.3	39.1	122.3	146.1
Other assets	16.7	–	–	–	7.3
Current income tax assets	5.5	1.4	28.6	–	29.0
Deferred income tax assets	291.1	368.5	173.6	136.5	114.2
Assets of disposal group classified as held for sale	260.2	18.8	24.4	24.4	25.2
Total assets	**15,230.0**	**14,660.0**	**13,490.0**	**4,683.5**	**4,561.7**
Capital and reserves attributable to equity holders of the Company	1,030.5	666.6	1,686.3	1,620.1	1,532.8
Non-controlling interests	1,559.1	1,508.6	1,288.3	196.7	55.5
Total equity	**2,589.6**	**2,175.2**	**2,974.6**	**1,816.8**	**1,588.3**
Borrowings	10,253.2	10,263.1	8,208.9	1,621.4	1,635.9
Trade and other payables	652.6	527.6	573.4	235.6	299.4
Other liabilities	5.8	0.3	–	–	–
Current income tax liabilities	3.1	31.8	71.9	76.6	120.8
Provisions	972.9	913.5	886.8	687.9	675.7
Deferred income tax liabilities	683.0	744.0	769.9	239.3	235.0
Liabilities of disposal group classified as held for sale	69.8	4.5	4.5	5.9	6.6
Total liabilities	**12,640.4**	**12,484.8**	**10,515.4**	**2,866.7**	**2,973.4**
Total equity and liabilities	**15,230.0**	**14,660.0**	**13,490.0**	**4,683.5**	**4,561.7**

1. The results for 2012 have been restated due to a change in accounting policy as disclosed in Note 2 to the consolidated financial statements presented in 2013 Annual Report of the Company.

GLOSSARY

A$	Australian dollar, the lawful currency of Australia
AGM	annual general meeting of the Company
Album Enterprises	Album Enterprises Limited, a company incorporated on 19 January 2005 in Hong Kong with limited liability, a wholly owned subsidiary of CMN
Album Investment	Album Investment Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Album Resources	Album Resources Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Associate	has the meaning ascribed to it under the Listing Rules
ASX	Australian Securities Exchange
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
Board Charter	the Board charter of the Company
BOC	Bank of China Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange
BOC Singapore	Bank of China Limited, Singapore branch
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank Corporation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China	has the same meaning as PRC
CMC	China Minmetals Corporation, formerly known as China National Metals and Minerals Import and Export Corporation, a state-owned enterprise incorporated on 7 April 1950 under the laws of the PRC
CMC Group	CMC and its subsidiaries
CMCL	China Minmetals Corporation Limited, a joint stock limited company incorporated on 16 December 2010 under the laws of the PRC
CMN	China Minmetals Non-ferrous Metals Company Limited, a joint stock limited company incorporated on 27 December 2001 under the laws of the PRC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a joint stock limited company incorporated on 22 December 2009 under the laws of the PRC
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the securities of which are listed and traded on the main board of the Hong Kong Stock Exchange and the ASX
Copper Partners Investment	Copper Partners Investment Co., Ltd, a subsidiary of CMC
Deloitte	Deloitte Touche Tohmatsu
Director(s)	the director(s) of the Company
DRC	Democratic Republic of the Congo
EBIT	earnings before interest (net finance costs) and income tax
EBITDA	earnings before interest (net finance costs), income tax, depreciation, amortisation and impairment expenses
EBITDA margin	EBITDA divided by revenue
ESG	Environmental, Social and Governance
Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Operating Officer, Chief Financial Officer, Executive General Manager – Stakeholder Relations and Executive General Manager – Business Support
EXIM	The Export-Import Bank of China
Gearing ratio	net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity
GRI	Global Reporting Initiative
Group	the Company and its subsidiaries

g/t	grams per tonne
HK$	Hong Kong dollar, the lawful currency of Hong Kong
HKFRS	Hong Kong Financial Reporting Standards, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)
HNG	Hunan Nonferrous Metals Holding Group Co., Ltd
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Stock Exchange	(please refer to the definition of "Stock Exchange")
ICBC	Industrial and Commercial Bank of China Limited
ICMM	International Council on Mining and Metals
Indicated Mineral Resource	the part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve
JORC Code	Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'
Laos	the Lao People's Democratic Republic
Las Bambas Joint Venture Company	MMG South America Management Company Limited (also referred to as MMG SAM)
Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
LME	London Metal Exchange
Mineral Resource	as defined under the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
Minerals and Metals Group	the collective brand name of the portfolio of international mining assets held by Album Resources
Minmetals HK	China Minmetals H.K. (Holdings) Limited, a company incorporated on 16 April 1996 in Hong Kong and an indirectly owned subsidiary of CMC
MMG Century	MMG Century Limited, a company incorporated on 25 November 1986 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Dugald River	MMG Dugald River Pty Ltd, a company incorporated on 15 July 1998 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Finance Limited	a company incorporated on 15 June 2011 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG Golden Grove	MMG Golden Grove Pty Ltd, a company incorporated on 21 June 2005 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Laos Holdings	MMG Laos Holdings Limited, a company incorporated on 25 May 1993 in the Cayman Islands with limited liability and a wholly owned subsidiary of the Company
MMG or MMG Limited	has the same meaning as the Company
MMG Management	MMG Management Pty Ltd, a company incorporated on 15 July 2005 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG SA	MMG South America Company Limited, a company incorporated on 4 May 1990 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG South America Group	MMG SA and its subsidiaries
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules

Mtpa	million tonnes per annum
Ore Reserve	as defined under the JORC Code, the economically mineable part of a Measured and /or Indicated Mineral Resource
PEN	Peruvian Nuevo Sol, the lawful currency of Peru
PRC	the People's Republic of China excluding, for the purpose of this document only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, unless the context requires otherwise
Rights Issue	On 1 November 2016, the Company announced a rights issue on the basis of 1 rights share for every 2 existing shares held by Shareholders. The results of the rights issue was confirmed on 14 December 2016 and 2,645,034,944 rights shares were allotted and issued on 15 December 2016. Details of the Rights Issue are set out in the Prospectus of the Company dated 23 November 2016
Securities Trading Model Code	a model code adopted by the Company for securities trading by Directors of the Company on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholder(s)	the shareholder(s) of the Company
SHEC	Safety, Health, Environment and Community
Stock Exchange	The Stock Exchange of Hong Kong Limited
TC/RC	Treatment Charge (TC) and Refining Charge (RC) are commonly used in the terms of purchase for copper concentrate for refining. They are amounts designed to cover refining costs. For example, copper concentrate contracts may define a purchase price based on the LME price at a certain date, minus the TC or RC being used at the time.
Top Create	Top Create Resources Limited, a company incorporated on 22 January 2004 in the British Virgin Islands with limited liability, a wholly owned subsidiary of CMN
TRIF	total recordable injury frequency per million hours worked
US$	United States dollar, the lawful currency of the United States of America
US$751.0 million Facility	the US$751.0 million facility granted by CDB and BOC Sydney to Album Resources and MMG Management on 13 June 2012
VAT	value added tax

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
GUO Wenqing
(Non-executive Director)

Executive Directors
JIAO Jian
(Chief Executive Officer)

XU Jiqing
(Executive General Manager – China and Strategy)

Non-executive Directors
GAO Xiaoyu
ZHANG Shuqiang

Independent Non-executive Directors
Peter CASSIDY
LEUNG Cheuk Yan
Jennifer SEABROOK
PEI Ker Wei

AUDIT COMMITTEE

Chairman
Jennifer SEABROOK

Members
GAO Xiaoyu
ZHANG Shuqiang
LEUNG Cheuk Yan
PEI Ker Wei

GOVERNANCE AND NOMINATION COMMITTEE

Chairman
LEUNG Cheuk Yan

Members
Peter CASSIDY
GAO Xiaoyu

REMUNERATION COMMITTEE

Chairman
Peter CASSIDY

Members
GAO Xiaoyu
ZHANG Shuqiang
Jennifer SEABROOK
PEI Ker Wei

RISK MANAGEMENT COMMITTEE

Chairman
PEI Ker Wei

Members
GAO Xiaoyu
Peter CASSIDY
LEUNG Cheuk Yan

DISCLOSURE COMMITTEE

Members
JIAO Jian
XU Jiqing
Ross CARROLL
Troy HEY
Nick MYERS
LEUNG Suet Kam Lucia

GENERAL COUNSEL

Nick MYERS

COMPANY SECRETARY

LEUNG Suet Kam Lucia

LEGAL ADVISER

Linklaters, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SHARE REGISTRARS

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

Australia
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067
Australia

PRINCIPAL BANKERS

China Development Bank Corporation
Industrial and Commercial Bank of China Limited
Bank of China Limited
The Export-Import Bank of China
Bank of America Merrill Lynch Limited
Australia and New Zealand Banking Group Limited
Banco Bilbao Vizcaya Argentaria, S.A.

INVESTOR AND MEDIA ENQUIRIES

Jo LYNCH
General Manager Corporate Affairs
T +61 3 9288 0027
E jo.lynch@mmg.com

REGISTERED OFFICE

Units 8501-8503
Level 85
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

CORPORATE OFFICES AND PRINCIPAL PLACE OF BUSINESS

Hong Kong
Units 8501-8503
Level 85
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong
T +852 2216 9688
F +852 2840 0580

Australia
Level 23
28 Freshwater Place
Southbank
Victoria 3006
Australia
T +61 3 9288 0888
F +61 3 9288 0800
E info@mmg.com

WEBSITE

www.mmg.com

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 1208

Australian Securities Exchange
Stock Code: MMG

ADDITIONAL SHAREHOLDER INFORMATION

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

Designed and produced at twelvecreative.com.au

WE MINE FOR PROGRESS

www.mmg.com