MMG WE MINE FOR PROGRESS

ANNUAL REPORT 2018

HKEX: 1208 | ASX: MMG

A member of:

ICMM International Council on Mining & Metals | MINING WITH PRINCIPLES

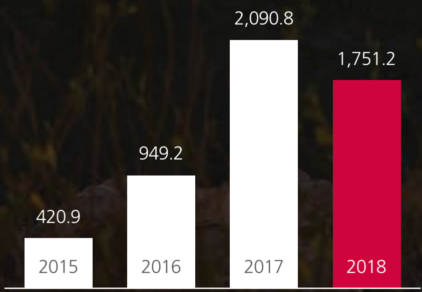
YEAR IN REVIEW

Total Recordable Injury Frequency (TRIF)

1.0

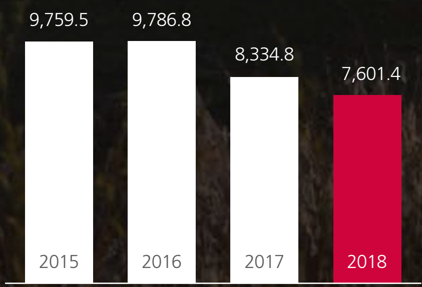
EBITDA
US$million

$1,751.2



NET DEBT
US$million

$7,601.4



Our vision is to build the world's most respected mining company.

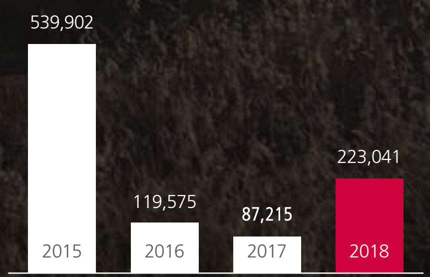
We mine to build wealth through the development of our people; the investments we make in improving local capability; and the value we deliver to our shareholders.

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

CONTAINED METAL PRODUCED ZINC

tonnes

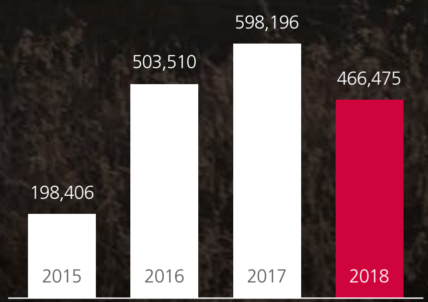
223,041



CONTAINED METAL PRODUCED COPPER

tonnes

466,475



COVER IMAGE:
Worker at our Rosebery operation processing plant.

THIS IMAGE:
Dugald River operation.

CHAIRMAN'S REVIEW

Dear Shareholders,

I would like to thank you for your long-term commitment and support. On behalf of the Board, I am pleased to present the Company's 2018 Annual Report.

Safety is our first value at MMG and ensuring the health and safety of our people is always our most important focus. In 2018, the Company's total recordable injury frequency (TRIF) continued to improve on the 2017 result. Unfortunately, Mr Kham Phathithak, an employee at our Sepon mine in Laos sustained fatal injuries following an incident which occurred when the vehicle he was driving was struck by a tree during tree felling activities. On behalf of the Board, I express my most sincere condolences to Mr Phathithak's family. The incident showed that safety issues cannot be over-emphasised. In 2019, we will continue to put health and safety first and take all measures to protect our employees.

In 2018, the global economy continued to grow moderately; however, this momentum slowed due to the ongoing trade friction between China and the United States. Prices of major commodities fluctuated and adjusted downward, while the performance of mining companies was influenced by the broader economic trends. In 2018, MMG recorded a total revenue of US$3,670 million and realised a net profit after tax of US$137.4 million, including US$68.3 million attributable to equity holders of the Company.

In 2018, MMG achieved stable performance across its operations, with total copper production of 466,475 tonnes and total zinc production of 223,041 tonnes. Las Bambas overcame the challenges related to the localised pit wall slippage in the third quarter with production performance improving in the last quarter. Dugald River achieved its ramp up in line with the plan with production at the high end of guidance. Kinsevere increased its mining rate and asset utilisation, and Rosebery achieved record performance in plant throughput and production. Our asset portfolio continues to improve through the sale of our 90% interest in Sepon mine for US$275 million, another step towards a meaningful scale, long life, low cost, high quality asset portfolio.

Meanwhile, MMG continues to improve. In addition to ensuring operational safety, people development and treasury management in 2018, MMG also focused on optimising operations and cost reduction. We further clarified the boundary of accountabilities between the group office and sites in order to maximise the potential and efficiency of operations.

China Minmetals Corporation Limited (CMC), the major shareholder of the Company, successfully achieved the second step towards "Doubled in Three Steps" ("三步走、兩翻番") strategic goal, reaching annual operating income of RMB503.2 billion and increasing profit by 16.5% year-on-year. CMC has once again achieved record operating results with improved value creation capability, industry standing and quality. CMC is rapidly growing into a "best in China, first class in the world" minerals and metals group. As the flagship company of CMC to explore overseas resources, MMG plays a vital role to contribute to CMC implementing its strategy. CMC maintains strong confidence in MMG and will continue to provide full support to MMG's growth.

Looking forward to 2019, the global mining market will maintain a tight balance between supply and demand, while ongoing market volatility is anticipated due to macro-level risks

and uncertainties. In the long term, with the development of electric vehicle technology and the renewable energy industries, demand for basic metals such as copper and zinc will continue to grow steadily. As new opportunities emerge, the Company will look to fully realise the potential of existing assets as well as looking to value accretive external opportunities, to ensure the Company's sustainable growth.

MMG continues to move toward its goal of becoming one of the world's top mining companies with full support from the Board. We are committed to create more shareholder return, and to maintain strong partnerships with communities, government and all stakeholders through open dialogue and shared growth.

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

GUO Wenqing
CHAIRMAN

MMG continues to move toward its goal of becoming one of the world's top mining companies with full support from the Board. We are committed to create more shareholder return, and to maintain strong partnerships with communities, government and all stakeholders through open dialogue and shared growth.

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders

I am pleased to present this Annual Report on your Company's performance in 2018.

Since becoming the Chief Executive Officer in August 2018, I and the entire MMG team have continued to focus our efforts on running our business efficiently, reducing our gearing and creating value for shareholders.

Overall, our business is solid and we have a portfolio of world class assets in the right commodities.

As we look ahead, we will continue to build on our strong foundation, to focus our efforts on delivering performance and driving asset development, which are key pillars in our commitment to creating shareholder value.

SAFETY

At MMG, the safety and well-being of our people is our first value and our greatest operating priority. I am saddened to report that this year we tragically lost one of our colleagues at the Sepon mine. Mr Kham Phathithak died following an incident in which his vehicle was struck by a tree during tree felling activities. I extend my deepest condolences to his family, friends and colleagues. We must do all we can to learn from this event and to prevent it happening again.

This year we continued to make significant progress in reducing injuries across our operations. For the full year 2018 we recorded a total recordable injury frequency (TRIF) of 1.00 which represents a 14.5% reduction on the full year 2017 result of 1.17. While this result is encouraging and demonstrates that we continue to move in the right direction, much work remains ahead of us as we seek to reduce injuries and learn from all safety incidents to prevent similar ones from occurring again.

OUR PERFORMANCE

In 2018 MMG's continuing operations produced 466,475 tonnes of copper and 223,041 tonnes of zinc.

Las Bambas produced 385,299 tonnes of copper in copper concentrate with production impacted by localised wall slippages, which impacted mine sequencing and grades in the first and third quarters, as well as a major planned maintenance shutdown in April. The operation remains well placed to produce in excess of two million tonnes of copper in its first five years of operation, and we continue to focus our efforts on sustaining this production profile into the future.

In 2018, we delivered another significant operational milestone with the start of commercial production at the Dugald River mine. We achieved this ahead of schedule and the ramp up of the operation continued at world class rates, demonstrating our ability to deliver world class projects.

The outlook for 2019 remains positive with greater contribution of zinc production from Dugald River where we expect to produce between 165,000 and 175,000 tonnes of zinc in zinc concentrate.

Overall, we expect to produce between 462,500 and 485,000 tonnes of copper in copper concentrate and 250,000 to 270,000 tonnes of zinc in zinc concentrate in 2019.

VALUE

In 2018 MMG delivered EBITDA of US$1,751.2 million – a 16% reduction on 2017 – a result which was impacted by lower copper production from Las Bambas. We continued our focus on accelerating debt repayment and in 2018, debt was reduced by US$733.4 million with gearing reducing from 74% at 31 December 2017 to 72% at 31 December 2018, a result enabled by the Company's strong cash generation.

While the first half of 2018 was marked by robust commodity prices, global macroeconomic and trade uncertainties impacted the price of our key commodities in the second half of the year. In the face of these external headwinds we have

redoubled our focus on the levers within our control such as driving further efficiencies across all operations. At Las Bambas, cost and efficiency initiatives have delivered US$95 million in annualised savings; and at the group support level, expenses have reduced by US45.9 million.

In November 2018 we also announced the sale of our 90% interest in the Sepon mine. This follows the successful divestments of Century, Golden Grove and Avebury assets and forms part of our strategy to operate a portfolio of long life, quality, base metal mining assets. We are proud of our longstanding partnership with the Lao People's Democratic Republic (PDR) and are excited for the future of the operation as it transitions from copper to gold production.

OUTLOOK

As we look ahead to 2019, we anticipate some short to medium term market volatility due to ongoing global political and economic uncertainties, but remain confident in the outlook for copper and zinc, particularly as technological advancements drive further demand for base metals, while the outlook for supply growth remains challenged.

We ended 2018 with a focused portfolio and a sense of momentum as we grow our business by developing our assets to extend mine life and investing in our people. In 2019 we expect to deliver increased metal production and are redoubling our efforts to improve operating efficiency and to reduce costs in order to offset the ongoing challenge of industry-wide cost escalation.

I would like to acknowledge the contribution of Jerry Jiao who had led the company for the year and a half prior to my appointment to the role of CEO. Jerry has taken a senior executive position within CMC, assuming overall responsibility for the investment in MMG, and as such continues to play an important role in our future. We are grateful for his leadership and we look forward to continuing to work with Jerry in his role as a non-executive director of MMG and in his new role with CMC.

Finally, on behalf of the entire MMG management team, I would like to thank our shareholders, communities, contractors and our people for their continued support of our business. I look forward to working with you again in 2019.

Geoffrey (Xiaoyu) GAO
CHIEF EXECUTIVE OFFICER

As we look ahead, we will continue to build on our strong foundation, to focus our efforts on delivering performance and driving asset development, which are key pillars in our commitment to creating shareholder value.

BOARD OF DIRECTORS

Mr GUO Wenqing
Chairman

Mr GAO Xiaoyu
Chief Executive Officer

Mr XU Jiqing
Executive Director

Mr JIAO Jian
Non-executive Director

Mr ZHANG Shuqiang
Non-executive Director

Dr Peter CASSIDY
Independent Non-executive Director

Mr LEUNG Cheuk Yan
Independent Non-executive Director

Ms Jennifer SEABROOK
Independent Non-executive Director

Professor PEI Ker Wei
Independent Non-executive Director

EXECUTIVE COMMITTEE

Mr GAO Xiaoyu
Chief Executive Officer

Mr Ross CARROLL
Chief Financial Officer

Mr XU Jiqing
Executive General Manager – Marketing and Risk

Mr Greg TRAVERS
Executive General Manager – Business Support

Mr Troy HEY
Executive General Manager – Stakeholder Relations

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

Mr Suresh VADNAGRA
Executive General Manager Operations – Americas

MINERAL RESOURCES AND ORE RESERVES

EXECUTIVE SUMMARY

Mineral Resources and Ore Reserves for MMG have been estimated as at 30 June 2018 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 11, which include the 30 June 2018 and 30 June 2017 estimates for comparison. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources that convert to Ore Reserves. All supporting data are 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 12.

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 2017 estimate have been mostly related to depletion together with increased costs at Las Bambas. An increase in metal price assumptions has only partially offset these reductions. At Dugald River, results from close spaced drilling have also resulted in a reduction in the estimated thickness of some parts of the orebody.

Key changes to the Ore Reserves (contained metal) since the 30 June 2017 estimate have been mostly related to depletion[1]. Decreases of Indicated Mineral Resources at Dugald River have resulted in a reduction of available material for conversion to Ore Reserves.

Las Bambas has been operating for 24 months since commercial production was declared on 1 July 2016. During this time the mine has experienced both positive and negative reconciliation factors compared to the Ore Reserve. The 2017 Mineral Resources and Ore Reserves were subject to an external audit in 2018 which recognised that mine practices were still stabilising and made recommendations which could reduce the variations. Any residual discrepancies will be considered prior to the preparation of the 2019 Mineral Resource and Ore Reserve statement.

Page 13 provides further discussion of the Mineral Resources and Ore Reserves changes.

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

MINERAL RESOURCES AND ORE RESERVES CONTINUED

MINERAL RESOURCES[2]

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

	2018							2017						
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	3.0	1.7						9.3	2.0					
Inferred	1.1	1.9						0.6	2.5					
Total	**4.1**	**1.7**						**9.9**	**2.0**					
Ferrobamba Primary Copper														
Measured	546	0.60			2.7	0.05	204	542	0.64			3.0	0.06	204
Indicated	426	0.61			3.0	0.05	204	546	0.60			2.8	0.05	211
Inferred	254	0.63			3.0	0.05	169	263	0.60			2.4	0.04	158
Total	**1,226**	**0.61**			**2.9**	**0.05**	**197**	**1,351**	**0.62**			**2.8**	**0.05**	**198**
Ferrobamba Total	**1,230**							**1,361**						
Chalcobamba Oxide Copper														
Indicated	6.1	1.5						6.1	1.5					
Inferred	0.7	1.5						0.7	1.5					
Total	**6.8**	**1.5**						**6.8**	**1.5**					
Chalcobamba Primary Copper														
Measured	75	0.44			1.4	0.02	148	85	0.37			1.1	0.01	148
Indicated	179	0.67			2.5	0.03	140	195	0.67			2.5	0.03	141
Inferred	33	0.54			1.9	0.03	142	36	0.52			1.8	0.02	141
Total	**287**	**0.60**			**2.2**	**0.03**	**143**	**315**	**0.57**			**2.0**	**0.03**	**143**
Chalcobamba Total	**293**							**322**						
Sulfobamba Primary Copper														
Indicated	89	0.65			4.6	0.02	168	85	0.67			4.7	0.02	170
Inferred	106	0.56			6.3	0.02	118	100	0.58			6.5	0.02	119
Total	**194**	**0.60**			**5.5**	**0.02**	**140**	**184**	**0.62**			**5.7**	**0.02**	**142**
Sulfobamba Total	**194**							**184**						
Oxide Copper Stockpile														
Indicated	9.9	1.2						5.5	1.0					
Total	**9.9**	**1.2**						**5.5**	**1.0**					
Sulphide Stockpile														
Measured	2.3	0.41						0.2	0.85			4.5		148
Total	**2.3**	**0.41**						**0.2**	**0.85**			**4.5**		**148**
Las Bambas Total	**1,730**							**1,873**						

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

MINERAL RESOURCES

DEPOSIT	2018 TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)	2017 TONNES (MT)	CU (%)	ZN (%)	PB (%)	AG (G/T)	AU (G/T)	MO (PPM)
KINSEVERE (100%)														
Oxide Copper														
Measured	2.0	4.3						3.0	4.4					
Indicated	9.7	3.1						13.6	3.0					
Inferred	1.8	2.4						2.8	2.3					
Total	**13.6**	**3.2**						**19.4**	**3.1**					
Transition Mixed Copper Ore														
Measured	1.3	2.9						0.3	2.7					
Indicated	3.4	2.0						1.4	2.3					
Inferred	0.4	1.9						0.1	2.1					
Total	**5.2**	**2.3**						**1.8**	**2.4**					
Primary Copper														
Measured	6.1	2.7						0.4	2.5					
Indicated	15.8	2.1						23.8	2.2					
Inferred	2.0	1.7						2.2	1.7					
Total	**24.0**	**2.2**						**26.4**	**2.2**					
Copper Stockpiles														
Measured														
Indicated	10.2	2.2						7.9	2.5					
Total	**10.2**	**2.2**						**7.9**	**2.5**					
Kinsevere Total	**52.9**							**55.5**						

MINERAL RESOURCES AND ORE RESERVES CONTINUED

MINERAL RESOURCES

	2018							2017						
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)
DUGALD RIVER (100%)														
Primary Zinc														
Measured	8.9		12.9	2.3	72			8.1		13.1	2.4	70		
Indicated	24.3		12.6	2.0	30			28.9		12.3	2.3	40		
Inferred	23.5		12.1	1.5	8			27.8		11.4	1.9	10		
Total	**56.7**		**12.4**	**1.8**	**27**			**64.8**		**12.0**	**2.2**	**31**		
Primary Copper														
Inferred	6.6	1.5				0.2		4.4	1.8				0.2	
Total	**6.6**	**1.5**				**0.2**		**4.4**	**1.8**				**0.2**	
Dugald River Total	**63.3**							**66.0**						
ROSEBERY (100%)														
Rosebery														
Measured	6.4	0.21	8.6	2.9	113	1.3		6.0	0.26	9.3	3.3	118	1.4	
Indicated	5.6	0.23	7.6	2.4	91	1.2		6.2	0.26	7.9	2.6	112	1.3	
Inferred	6.0	0.28	7.4	2.8	89	1.4		6.5	0.30	7.4	2.7	90	1.4	
Total	**18.1**	**0.24**	**7.9**	**2.7**	**98**	**1.3**		**18.6**	**0.27**	**8.2**	**2.9**	**106**	**1.4**	
Rosebery Total	**18.1**							**18.6**						
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**	
IZOK LAKE (100%)														
Measured														
Indicated	13.5	2.4	13	1.4	73	0.18		13.5	2.4	13.3	1.4	73	0.18	
Inferred	1.2	1.5	11	1.3	73	0.21		1.2	1.5	10.5	1.3	73	0.21	
Total	**14.6**	**2.3**	**13**	**1.4**	**73**	**0.18**		**14.6**	**2.3**	**13.1**	**1.4**	**73**	**0.18**	

ORE RESERVES[3]

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

	2018							2017						
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 Primary Copper														
Proved	504	0.62			2.9	0.05	197	497	0.68			3.2	0.06	206
Probable	287	0.68			3.7	0.07	179	326	0.71			3.6	0.06	207
Total	**791**	**0.64**			**3.2**	**0.06**	**191**	**823**	**0.69**			**3.4**	**0.06**	**207**
Chalcobamba Primary Copper														
Proved	56	0.54			1.8	0.02	144	59	0.53			1.8	0.02	141
Probable	139	0.72			2.7	0.03	135	143	0.72			2.7	0.03	132
Total	**195**	**0.67**			**2.5**	**0.03**	**137**	**202**	**0.66**			**2.5**	**0.03**	**134**
Sulfobamba Primary Copper														
Proved														
Probable	59	0.81			5.9	0.03	161	60	0.80			5.9	0.03	161
Total	**59**	**0.81**			**5.9**	**0.03**	**161**	**60**	**0.80**			**5.9**	**0.03**	**161**
Primary Copper Stockpile														
Proved	2.3	0.41			1.7		158	0.17	0.85			4.5		148
Total	**2.3**	**0.41**			**1.7**		**158**	**0.17**	**0.85**			**4.5**		**148**
Las Bambas Total	**1,048**							**1,085**						
KINSEVERE (100%)														
Oxide Copper														
Proved	1.9	4.4						2.6	4.5					
Probable	6.1	3.7						8.1	3.5					
Total	**8.0**	**3.8**						**10.7**	**3.7**					
Stockpiles														
Proved														
Probable	7.7	2.3						2.5	3.6					
Total	**7.7**	**2.3**						**2.5**	**3.6**					
Kinsevere Total	**15.7**							**13.2**						
DUGALD RIVER (100%)														
Primary Zinc														
Proved	6.9		11.5	2.1	65			7.9		11.8	2.1	62		
Probable	21.7		11.7	2.0	30			24.9		11.9	2.2	39		
Total	**28.6**		**11.7**	**2.0**	**38**			**32.8**		**11.9**	**2.2**	**44**		
Dugald River Total	**28.6**							**32.8**						
ROSEBERY (100%)														
Proved	3.7	0.21	8.3	3.0	114	1.4		3.8	0.25	9.0	3.4	119	1.4	
Probable	1.7	0.19	7.3	2.9	113	1.4		1.8	0.21	7.6	3.0	131	1.3	
Total	**5.4**	**0.21**	**8.0**	**3.0**	**114**	**1.4**		**5.6**	**0.24**	**8.6**	**3.3**	**123**	**1.4**	
Rosebery Total	**5.4**							**5.6**						

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

MINERAL RESOURCES AND ORE RESERVES CONTINUED

COMPETENT PERSONS

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

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

4. Participants in the MMG Long-Term Incentive Plans which may include Mineral Resources and Ore Reserves growth as a performance condition.
5. Member of the Association of Professional Engineers and Geoscientists of British Columbia.

SUMMARY OF SIGNIFICANT CHANGES

MINERAL RESOURCES

Mineral Resources as at 30 June 2018 have changed since the 30 June 2017 estimate for a number of reasons with the most significant changes outlined in this section.

Decreases:

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

- depletion at all producing operations;
- higher cost assumptions at Las Bambas;
- re-modelling at Dugald River following results from closer spaced drilling;
- re-modelling at Rosebery following additional drilling, partially offset by favourable TC/RC's which have improved economics and,
- changes to the pit shell resulting from reduction in minimum mining width at Kinsevere.

ORE RESERVES

Ore Reserves as at 30 June 2018 (contained metal) have decreased for copper (8%), zinc (14%), lead (18%), silver (13%), gold (11%) and molybdenum (9%).

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

Decreases:

A net reduction in Ore Reserves (metal) for copper, zinc, lead, silver, gold and molybdenum due to:

- depletion at all producing operations;
- a further reduction at Las Bambas due to an increase in cost and modification of recovery formula for the Chalcobamba ore;
- a further reduction at Kinsevere due to an increase in the mining dilution assumption from 5% in 2017 to 10% in 2018 and a slight drop of copper grade in the Mineral Resources model. Inclusion of additional stockpiles did not offset these reductions;
- a further reduction at Dugald River due to stope width reduction from the Mineral Resources model resulting from additional drilling results and Mineral Resources modelling;
- a positive conversion from Mineral Resources to Ore Reserves at Rosebery, but not sufficient to offset depletion.

MINERAL RESOURCES AND ORE RESERVES CONTINUED

KEY ASSUMPTIONS

PRICES AND EXCHANGE RATES

The following price and foreign exchange assumptions, set according to the relevant MMG Standard as at January 2018, have been applied to all Mineral Resources and Ore Reserves estimates. Price assumptions for all metals have changed from the 2017 Mineral Resources and Ore Reserves statement.

Table 1: 2018 Price (real) and foreign exchange assumptions

	ORE RESERVES	MINERAL RESOURCES
Cu (US$/lb)	3.02	3.51
Zn (US$/lb)	1.23	1.47
Pb (US$/lb)	0.97	1.16
Au US$/oz	1236	1442
Ag US$/oz	17.9	20.3
Mo (US$/lb)	8.08	9.39
USD:CAD	1.18	As per Ore Reserves
AUD:USD	0.80	
USD:PEN	3.10	

Table 2: 2017 Price (real) and foreign exchange assumptions

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

Table 3: Differences in Prices (real) and foreign exchange assumptions (2017 – 2018)

	ORE RESERVES	MINERAL RESOURCES
Cu (US$/lb)	0.06	0.11
Zn (US$/lb)	0.04	0.04
Pb (US$/lb)	0.02	0.02
Au US$/oz	36	42
Ag US$/oz	0.4	-0.1
Mo (US$/lb)	-0.22	-0.11
USD:CAD	0	As per Ore Reserves
AUD:USD	0	
USD:PEN	0	

CUT-OFF GRADES

Mineral Resources and Ore Reserves cut-off values are shown in Table 4 and Table 5 respectively.

Table 4: Mineral Resources cut-off grades

SITE	MINERALISATION	LIKELY MINING METHOD	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$3.51/lb Cu pit shell.
	Primary Copper	OP	0.16 – 0.23% Cu	
Kinsevere	Oxide Copper & Stockpiles	OP	0.6% CuAS[6]	*In-situ* copper Mineral Resources constrained within a US$3.51/lb Cu pit shell.
	Transition Mixed Copper	OP	0.6-0.7 Cu[7]	
	Primary Copper	OP	0.7% Cu[7]	
Rosebery	Rosebery (Zn, Cu, Pb, Au, Ag)	UG	A$167/t NSR[8]	Remnant upper mine areas A$179/t NSR[8]
Dugald River	Primary Zinc (Zn, Pb, Ag)	UG	A$146/t NSR[8]	
	Primary Copper	UG	1% Cu	
High Lake	Cu, Zn, Pb, Ag, Au	OP	2.0% CuEq[9]	CuEq[10]= 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[10]	CuEq[10]= Cu + (Zn×0.30) + (Pb×0.33) + (Au×0.56) + (Ag×0.01): based on Long-Term prices and metal recoveries at Au:75%, Ag:83%, Cu:89%, Pb:81% and Zn:93%.
Izok Lake	Cu, Zn, Pb, Ag, Au	OP	4.0% ZnEq[10]	ZnEq[10]= Zn + (Cu×3.31) + (Pb×1.09) + (Au×1.87) + (Ag×0.033); prices and metal recoveries as per High Lake.

Table 5: Ore Reserves cut-off grades

SITE	MINERALISATION	MINING METHOD	CUT-OFF VALUE	COMMENTS
Las Bambas	Primary Copper Ferrobamba	OP	0.19 – 0.26% Cu	Range based on rock type recovery.
	Primary Copper Chalcobamba		0.21 – 0.28% Cu	
	Primary Copper Sulfobamba		0.24 – 0.28% Cu	
Kinsevere	Copper Oxide	OP	1.4% CuAS[6]	Approximate cut-off grades shown in this table. Variable cut-off grade based on net value script.
		OP	1.0% CuAS[6]	Stockpile reclaim.
Rosebery	(Zn, Cu, Pb, Au, Ag)	UG	A$167/t NSR[8]	
Dugald River	Primary Zinc	UG	A$146/t NSR[8]	

6. CuAS = Acid Soluble Copper
7. Cu = Total Copper
8. NSR = Net Smelter Return
9. CuEq = Copper Equivalent
10. ZnEq = Zinc Equivalent

MINERAL RESOURCES AND ORE RESERVES CONTINUED

PROCESSING RECOVERIES

Average processing recoveries are shown in Table 6. More detailed processing recovery relationships are provided in the Technical Appendix.

Table 6: Processing Recoveries

		RECOVERY						CONCENTRATE
SITE	PRODUCT	COPPER	ZINC	LEAD	SILVER	GOLD	MO	MOISTURE ASSUMPTIONS
Las Bambas	Copper Concentrate	86%	–	–	75%	71%		10%
	Molybdenum Concentrate						55%	5%
Rosebery	Zinc Concentrate		84%		8%	6%		8%
	Lead Concentrate		7%	81%	41%	13%		6%
	Copper Concentrate	57%			43%	33%		9%
	Doré[11] (gold and silver)				0.2%	31%		
Dugald River	Zinc Concentrate	–	87%		25%	–		10%
	Lead Concentrate	–		70%	40%	–		10%
Kinsevere	Copper Cathode	76% (96% CuAS[6])	–	–	–	–		–

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

For the purpose of the management discussion and analysis, the Group's results for the year ended 31 December 2018 are compared with results for the year ended 31 December 2017.

YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017* US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**3,670.2**	**3,751.3**	**(2%)**
Operating expenses	(1,862.8)	(1,635.1)	(14%)
Exploration expenses	(47.5)	(45.1)	(5%)
Administration expenses	(35.8)	(81.7)	56%
Gains on disposal of subsidiaries	-	178.6	(100%)
Other income / (expenses)	27.1	(77.2)	135%
EBITDA	**1,751.2**	**2,090.8**	**(16%)**
Depreciation and amortisation expenses	(918.1)	(818.6)	(12%)
EBIT	**833.1**	**1,272.2**	**(35%)**
Net finance costs	(526.9)	(531.6)	1%
Profit before income tax	**306.2**	**740.6**	**(59%)**
Income tax expense	(169.6)	(394.5)	57%
Profit after income tax from continuing operation	**136.6**	**346.1**	**(61%)**
Profit after income tax from discontinued operations	0.8	2.3	(65%)
Profit/(loss) after income tax for the year	**137.4**	**348.4**	**(61%)**
Attributable to:			
Equity holders of the Company	**68.3**	**147.1**	**(54%)**
– From continuing operations	64.8	144.0	(55%)
– From discontinued operation	3.5	3.1	13%
Non-controlling interests	**69.1**	**201.3**	**(66%)**
– From continuing operations	71.8	202.1	(64%)
– From discontinued operation	(2.7)	(0.8)	(238%)
	137.4	**348.4**	**(61%)**

*MMG sold its 90% interest in Sepon during the year ended 31 December 2018 and accordingly it was classified as a discontinued operation. The results for the year ended 31 December 2017 have been represented to show the discontinued operation separately from continuing operations.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

MMG's profit after income tax of US$137.4 million for the year ended 31 December 2018 includes profit from discontinued operation of US$0.8 million relating to Lang Xang Minerals Limited (LXML), the owner of the Sepon mine. MMG sold its 90% interest in LXML effective 1 January 2018 and accordingly the operational results of Sepon are classified as a discontinued operation.

Profit from continuing operations of US$136.6 million for the year ended 31 December 2018 includes profit attributable to equity holders of US$64.8 million and profit attributable to non-controlling interests of US$71.8 million. This compares to a profit from continuing operations attributable to equity holders of US$144.0 million and non-controlling interests of US$202.1 million in 2017. The profit attributable to non-controlling interests from continuing operations relates to the 37.5% interest in Las Bambas not owned by the Company. The following table provides a reconciliation of reported profit after tax attributable to equity holders.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE % FAV/(UNFAV)
Profit after tax - Las Bambas 62.5% interest	119.6	336.8	(64%)
Profit after tax - Other operations	114.3	74.4	54%
Exploration expenses	(47.5)	(45.1)	(5%)
Administration expenses	(35.8)	(81.7)	56%
Net finance costs (excluding Las Bambas)	(125.4)	(155.1)	19%
Others	43.1	17.8	142%
Profit for the year attributable to equity holders	**68.3**	**147.1**	**(54%)**
– From continuing operations	64.8	144.0	(55%)
– From discontinued operation	3.5	3.1	13%

OVERVIEW OF RESULTS FROM CONTINUING OPERATIONS

The Group's continuing operations comprise Las Bambas, Kinsevere, Dugald River and Rosebery. Exploration, development projects, corporate activities and other subsidiaries are classified as 'Others'.

	REVENUE			EBITDA		
YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE % FAV/(UNFAV)	2018 US$ MILLION	2017 US$ MILLION	CHANGE % FAV/(UNFAV)
Las Bambas	2,578.6	2,936.9	(12%)	1,341.2	1,740.8	(23%)
Kinsevere	516.4	500.9	3%	203.0	178.7	14%
Dugald River	247.3	-	100%	87.6	-	100%
Rosebery	328.7	288.8	14%	171.6	152.1	13%
Others	(0.8)	24.7	(103%)	(52.2)	19.2	(372%)
Total	**3,670.2**	**3,751.3**	**(2%)**	**1,751.2**	**2,090.8**	**(16%)**

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

REVENUE

The Group's revenue decreased by US$81.1 million to US$3,670.2 million due to lower sales volumes (US$98.2 million), partially offset by higher realised commodity prices (US$17.1 million). The lower sales volumes were primarily driven by the lower production at Las Bambas, the result of a localised wall slippage that temporarily restricted mining access to higher grade areas of the Ferrobamba pit. This was partially offset by the contribution from Dugald River since the achievement of commercial production on 1 May 2018. Higher realised prices increased revenue for copper (US$28.2 million) and molybdenum (US$18.9 million), partly offset by lower realised prices for silver (US$14.8 million), lead (US$5.5 million), gold (US$5.3 million) and zinc (US$4.4 million).

REVENUE BY COMMODITY YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE % FAV/(UNFAV)
Copper (US$ million)	2,839.2	3,159.0	(10%)
Zinc (US$ million)	379.3	168.7	125%
Lead (US$ million)	85.3	53.1	61%
Gold (US$ million)	174.6	202.7	(14%)
Silver (US$ million)	143.0	149.8	(5%)
Molybdenum (US$ million)	48.8	18.0	171%
Total	**3,670.2**	**3,751.3**	**(2%)**

Highlights
Mineral Resources and Ore Reserves
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PRICE

LME base metals prices were higher in 2018 compared to 2017, except for lead and silver. Copper and zinc average realised prices were favourably impacted by a decline in concentrate treatment charges and refinement charges (TC/RC).

AVERAGE LME CASH PRICE YEAR ENDED 31 DECEMBER	2018	2017	CHANGE % FAV/(UNFAV)
Copper (US$/tonne)	6,525	6,163	6%
Zinc (US$/tonne)	2,925	2,894	1%
Lead (US$/tonne)	2,244	2,318	(3%)
Gold (US$/ounce)	1,270	1,258	1%
Silver (US$/ounce)	15.71	17.05	(8%)
Molybdenum (US$/tonne)	26,327	18,093	46%

SALES VOLUMES

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER	2018	2017	CHANGE % FAV/(UNFAV)
Copper (tonnes)	465,898	523,856	(11%)
Zinc (tonnes)	189,751	67,944	179%
Lead (tonnes)	41,734	23,761	76%
Gold (ounces)	141,799	157,513	(10%)
Silver (ounces)	9,302,009	8,705,773	7%
Molybdenum (tonnes)	1,990	1,202	66%

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2018	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYBDENUM TONNES
Las Bambas	384,674	-	-	107,850	5,483,796	1,990
Kinsevere	79,873	-	-	-	-	-
Dugald River	-	121,548	14,353	-	899,409	-
Rosebery	1,351	68,203	27,381	33,949	2,918,804	-
Other	-	-	-	-	-	-
Total from Continuing Operations	**465,898**	**189,751**	**41,734**	**141,799**	**9,302,009**	**1,990**
Discontinued Operation	65,236	-	-	-	-	-

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

PAYABLE METAL IN PRODUCT SOLD YEAR ENDED 31 DECEMBER 2017	COPPER TONNES	ZINC TONNES	LEAD TONNES	GOLD OUNCES	SILVER OUNCES	MOLYBDENUM TONNES
Las Bambas	442,471	-	-	129,724	6,350,308	1,202
Kinsevere	80,023	-	-	-	-	-
Dugald River	-	4,014	-	-	-	-
Rosebery	1,280	59,627	23,761	27,765	2,354,540	-
Other	82	4,303	-	24	925	-
Total from Continuing Operations	523,856	67,944	23,761	157,513	8,705,773	1,202
Discontinued Operation	62,931	-	-	-	-	-

Copper sales volumes decreased by 11% compared to 2017. This was driven primarily by Las Bambas, where localised wall slippages temporarily restricted mining access to higher grade sections of the Ferrobamba pit. As a result, the average grade of ore milled was 0.91% in 2018 compared to 1.05% in 2017, and copper production was 15% lower. Kinsevere volumes were stable (-1%).

Zinc and lead sales volumes were 179% and 76% higher respectively for the year ended 2018 due to the strong ramp up of Dugald River and record zinc equivalent production at Rosebery. Gold sales (-10%) were impacted by the lower production at Las Bambas, resulting in lower by-product sales, whilst higher silver sales (7%) was the result of the by-product contribution from Dugald River and a higher by-product credit contribution from Rosebery. Higher molybdenum sales (66%) was the result of a series of debottlenecking initiatives to improve performance of the molybdenum plant.

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$227.7 million (14%) in 2018. Most of this increase was due to US$160.7 million of operating expenses incurred at Dugald River since commercial production on 1 May 2018. Las Bambas operating expenses increased by $48.4 million (4%) in 2018 due to higher mining volumes and additional plant and mobile fleet maintenance costs during 2018. Kinsevere operating expenses increased by US$12.1 million (4%) mostly due to additional costs related to impacts of some elements of the new Democratic Republic of the Congo (DRC) mining code. Operating expenses at Rosebery were $20.2 million (15%) higher in 2018 due largely to inventory movements, with cash production expenses remaining broadly in line with 2017. The unfavourable inventory movement was the result of a higher net drawdown of finished goods during the year, reflecting higher zinc concentrate sales volumes relative to production.

Exploration expenses increased by US$2.4 million (5%) to US$47.5 million in 2018.

As announced during 2018, MMG will wind down its new discovery exploration programs in Australia and Africa as focus is diverted to exploration opportunities in and around our existing operating hubs (Las Bambas, DRC, and at our Rosebery and Dugald River operations in Australia). This change will deliver modest savings to our overall exploration budget and put greater focus on opportunities with more near to medium term growth potential.

The modest increase in exploration expenses in 2018 was largely due to closure costs associated with the strategy to wind down the new discovery exploration programs, as well as additional delineation drilling at Nambulwa during 2018.

Administrative expenses decreased by US$45.9 million (56%) in 2018, driven by cost and efficiency improvement initiatives across group and support functions with lower employee, consultant and travel expenses compared to 2017. Overall, headcount has reduced significantly in the group office following cost and operating model reviews over 2017 and 2018. In addition, 2018 included the benefit of lower expenses associated with the Company's Short Term and Long Term Incentive Plans in relation to prior years ($27.6 million), following true-up during the year to reflect expected and final outcomes.

Other income and expenses had an aggregate favourable impact on EBIT of US$27.1 million in 2018, compared to the unfavourable impact of US$77.2 million in 2017.

The favourable impact of US$27.1 million in 2018 was due to a gain on the redemption of the Convertible Redeemable Preference Shares in January 2018 (US$12.6 million) and foreign exchange gains of US$12.3 million, predominantly due to the revaluation of the Century Bank Guarantee and Group Office liabilities. The unfavourable impact of US$77.2 million in 2017 was predominantly due to foreign exchange losses of US$49.1 million and fair value losses on the commodity price hedging contracts of US$24.4 million. The foreign exchange losses included losses on the Century rehabilitation provisions from 1 January 2017 to 28 February 2017 of $US20.5 million and losses on the translation of the Kinsevere value-added tax (VAT) receivables, which are denominated in Congolese francs.

Depreciation and amortisation expenses increased by US$99.5 million (12%) to US$918.1 million in 2018. The increase was driven by Las Bambas (US$52.1 million) due to higher ore mined, as well as accelerated depreciation on certain infrastructure assets associated with advancing the development of the mine (US$18.9 million). In addition, depreciation and amortisation expense at Dugald River from commercial production (1 May 2018) was US$40.7 million.

Net finance costs of US$526.9 million were comparable to 2017. Interest savings following the early prepayment on the Las Bambas Project Facility of US$500 million and redemption of the Convertible Redeemable Preference Shares in January 2018, were partly offset by higher LIBOR rates compared to 2017. Additional interest costs of US$12.8 million were included in the income statement in 2018, following the commercial production at Dugald River.

Income tax expense decreased by US$224.9 million, reflecting the decrease in the Group's profit before income tax and the impacts of the divestments of Golden Grove and Century in 2017. The effective tax rate for the year was 55.4%. This included unfavourable impacts from non-creditable withholding tax of US$59.6 million (2017: US$102.7 million), foreign exchange revaluation on tax balances and other non-deductible expenditures.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

MINE ANALYSIS
LAS BAMBAS

Produces

› Copper in copper concentrate

Ownership

› 62.5% MMG
› 22.5% Guoxin International Investment Co. Ltd.
› 15.0% CITIC Metals Co. Ltd.

KEY HIGHLIGHTS

REVENUE US$ million	ORE MILLED tonnes	COPPER IN CONCENTRATE PRODUCED tonnes
$2,578.6	49,443,867	385,299

IMAGE:
Las Bambas workers at flotation control centre on site.

YEAR ENDED 31 DECEMBER	2018	2017	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	57,439,971	52,873,113	9%
Ore milled (tonnes)	49,443,867	51,497,642	(4%)
Copper in concentrate (tonnes)	385,299	453,749	(15%)
Payable metal in product sold			
Copper (tonnes)	384,674	442,471	(13%)
Gold (ounces)	107,850	129,724	(17%)
Silver (ounces)	5,483,796	6,350,308	(14%)
Molybdenum (tonnes)	1,990	1,202	65%

YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE% FAV/(UNFAV)
Revenue	**2,578.6**	**2,936.9**	**(12%)**
Operating expenses			
Production expenses			
Mining	(399.1)	(359.1)	(11%)
Processing	(285.6)	(302.6)	6%
Other	(325.9)	(333.3)	2%
Total production expenses	**(1,010.6)**	**(995.0)**	**(2%)**
Freight (transportation)	(66.5)	(66.0)	(1%)
Royalties	(78.9)	(88.3)	11%
Other[1]	(77.2)	(35.5)	(117%)
Total operating expenses	**(1,233.2)**	**(1,184.8)**	**(4%)**
Other income/(expenses)	(4.2)	(11.3)	63%
EBITDA	**1,341.2**	**1,740.8**	**(23%)**
Depreciation and amortisation expenses	(641.5)	(589.4)	(9%)
EBIT	**699.7**	**1,151.4**	**(39%)**
EBITDA margin	**52%**	**59%**	

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

MANAGEMENT DISCUSSION AND ANALYSIS MINE ANALYSIS – LAS BAMBAS CONTINUED

Revenue of US$2,578.6 million was 12% below 2017, with lower production and sales volumes partially offset by higher realised prices. In 2018 copper in concentrate production was 15% below the prior year due to localised wall slippages, which impacted mine sequencing and feed grades in the first and third quarters, as well as a major planned maintenance shutdown in April.

The risk of further wall instability in the area of the pit t hat impacted 2018 mining is expected to be lower, with geotechnical conditions improving with depth. Reliance on ore from this section of the pit is also reduced as other areas of the pit are developed. Further assessment of the geological features in this section of the pit is being undertaken. The results will be incorporated into the design of the next cutback.

Total ore milled was 49.4 million tonnes in 2018, with a series of initiatives to increase mill throughput delivering sequential improvement over the year. On an annualised basis mill throughput increased from 47.3 million tonnes in the first quarter of 2018 to 52.4 million tonnes in the fourth quarter, compared to the nameplate capacity of 51.1 million tonnes. Average ore grades milled were 0.91% in 2018, compared with 1.05% in 2017 and the overall reserve grade of 0.7%. Partially offsetting the lower grade was higher recovery of 86.2% compared to 84.3% in 2017. This higher recovery reflects the impact of a series of initiatives to improve recovery as well as more favourable mineralogical characteristics of the ore.

Production expenses were US$15.6 million (2%) higher due to increased mining and maintenance costs in 2018. Higher mining costs were the result of an increase in total material movement as total ore mined increased 9% to 57.4 million tonnes and total waste movement increased 4% to 115.7 million tonnes. The additional material movement was in line with the mine plan as we continue to advance the development of the mine and open up additional operating faces to support future production. Mining and processing maintenance costs were US$30.4 million and US$14.3 million higher respectively compared to 2017 due to scheduled major overhauls of some of the mining fleet and a major planned maintenance shutdown. Partially offsetting the impact of the higher mining and maintenance costs were a series of efficiency projects that have delivered annualised savings of around US$95 million. C1 costs for 2018 were US$1.18/lb compared to US$0.99/lb in 2017. The higher C1 was largely due to lower production volumes.

Other operating expenses increased by $41.7 million (117%) from 2017, due to the higher net realisable value write-down on low grade ore stockpiles ($32.0 million).

EBITDA decreased 23% to US$1,341.2 million due to the impact of lower sales volumes and higher operating expenses. Depreciation and amortisation expenses increased by US$52.1 million (9%), due to higher mining volumes and accelerated depreciation charges on certain infrastructure assets associated with advancing the development of the mine ($18.9 million impact in 2018).

Copper in concentrate production at Las Bambas for 2019 is expected to be between 385,000 and 405,000 tonnes. Forecast 2019 production is underpinned by further improvements in mill throughput with ore grades expected to be in line with those in 2018. Mining and development rates are also set to increase in 2019 in line with the plan to open additional operating faces consistent with the mine plan.

C1 unit cost guidance is US$1.15-1.25/lb for 2019. Costs reflect significant increases in both mining and milling volumes and longer haul distances as the depth of the Ferrobamba pit increases. These cost pressures will be partially offset by ongoing cost and efficiency programs. These programs seek to ensure that Las Bambas remains as one of the lower cost mines of this scale in the world.

Las Bambas remains on target to deliver on medium term guidance of two million tonnes of copper in concentrate in the first five years. A series of plant upgrades and debottlenecking activities are expected to increase throughput rates by five to 10% above the design capacity over the next five years and offset the longer term impact of declining grades.

Good progress is also being made towards growing the Las Bambas resource and realising the geological potential of the asset with the completion of significant resource definition drilling in and around Ferrobamba. Surface land access arrangements have allowed preliminary surface works in parts of the tenement which have validated our original confidence in the upside potential. A key area of focus is obtaining further land access and permitting to initiate drilling of these prospective areas of the Las Bambas tenement. Work with local communities and government to expedite land access agreements and supporting permits is well advanced. Approval was received in early October 2018 for approximately 300 infill and exploration holes over the next 12 months.

MINE ANALYSIS KINSEVERE

Produces

- Copper cathode

Ownership

- 100% MMG

KEY HIGHLIGHTS

REVENUE US$ million	ORE MILLED tonnes	COPPER CATHODE PRODUCED tonnes
$516.4	2,407,267	79,711

IMAGE: Kinsevere processing plant.

MANAGEMENT DISCUSSION AND ANALYSIS MINE ANALYSIS – KINSEVERE CONTINUED

YEAR ENDED 31 DECEMBER	2018	2017	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	3,054,844	2,466,139	24%
Ore milled (tonnes)	2,407,267	2,274,305	6%
Copper cathode (tonnes)	79,711	80,186	(1%)
Payable metal in product sold			
Copper (tonnes)	79,873	80,023	(0%)

YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**516.4**	**500.9**	**3%**
Operating expenses			
Production expenses			
Mining	(47.2)	(41.3)	(14%)
Processing	(103.5)	(101.3)	(2%)
Other	(77.7)	(84.3)	8%
Total production expenses	**(228.4)**	**(226.9)**	**(1%)**
Freight (transportation)	(38.0)	(41.7)	9%
Royalties	(26.0)	(19.8)	(31%)
Other[1]	(19.2)	(11.1)	(73%)
Total operating expenses	**(311.6)**	**(299.5)**	**(4%)**
Other income/(expenses)	(1.8)	(22.7)	92%
EBITDA	**203.0**	**178.7**	**14%**
Depreciation and amortisation expenses	(153.2)	(144.2)	(6%)
EBIT	**49.8**	**34.5**	**45%**
EBITDA margin	**39%**	**36%**	

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

Kinsevere production was 1% below the prior period at 79,711 tonnes of copper cathode, representing the fourth consecutive year of stable and consistent production around 80,000 tonnes. The strong production was supported by record mill throughput of 2.4 million tonnes (2017; 2.3 million tonnes), offsetting the ongoing decline in milled ore grades (3.4% in 2018 vs. 3.7% in 2017).

Revenue increased by US$15.5 million (3%) compared to 2017 due to higher average realised copper prices.

Operating expenses increased by US$12.1 million (4%) compared to 2017. This was primarily driven by higher mining costs due to the higher mining volumes and additional estimated direct and indirect costs associated with the new DRC mining code. This was partially offset by favourable inventory movements of US$7.2 million with additional ore stockpiles at the end of 2018 resulting from the higher ore mined.

Higher operating expenses resulted in C1 costs in 2018 of US$1.68/lb compared to US$1.58/lb in 2017.

Other expenses in 2017 of US$22.7 million primarily related to a significant foreign exchange (FX) loss on VAT receivables.

EBITDA increased 14% to US$203.0 million with the revenue increase from higher copper prices and the non-recurrence of FX losses incurred in 2017 offsetting increased operating costs.

Depreciation and amortisation expenses increased by US$9.0 million (6%), reflecting the 24% increase in ore mined in 2018.

Despite declining ore grades at Kinsevere, MMG expects to maintain broadly stable production levels, with guidance of 77,500 to 80,000 tonnes of copper cathode in 2019.

C1 unit costs are expected to be in the range of US$1.65-1.75/lb for 2019, largely due to the expected impact of a full year of the DRC Mining Code implementation.

On 9 March 2018, the DRC Government signed into law significant changes to the 2002 Mining Code (2018 Mining Code). The 2018 Mining Code does not recognise the application of Article 276 of the 2002 Mining Code, which provides a guarantee of stability for the provisions of the 2002 Mining Code including, but not limited to, tax, customs and exchange regimes, for a period of 10 years after the entry into force of the amended legislation.

The Group has made a formal request for negotiation with the DRC Government pursuant to the Bilateral Investment Treaty between the DRC and People's Republic of China (PRC) and is looking to reach an agreement with the DRC Government regarding recognition of the guarantee of stability.

MMG remains committed to working in consultation with the DRC Government, Industry and Civil Society groups regarding the application of the 2018 Mining Code.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

MINE ANALYSIS DUGALD RIVER

Produces

- Zinc in zinc concentrate
- Copper in copper concentrate

Ownership

- 100% MMG

KEY HIGHLIGHTS

REVENUE US$ million	ORE MILLED tonnes	ZINC IN CONCENTRATE PRODUCED tonnes
$247.3	1,755,847	147,320

IMAGE:
MMG employee at Dugald River operation.

YEAR ENDED 31 DECEMBER	2018	2017	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,473,804	-	-
Ore milled (tonnes)	1,755,847	-	-
Zinc in zinc concentrate (tonnes)	147,320	-	-
Lead in lead concentrate (tonnes)	16,693	-	-
Payable metal in product sold			
Zinc (tonnes)	121,548	-	-
Lead (tonnes)	14,353	-	-
Silver (ounces)	899,409	-	-

YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**247.3**	**-**	**-**
Operating expenses			
Production expenses			
Mining	(46.0)	-	-
Processing	(54.0)	-	-
Other	(30.7)	-	-
Total production expenses	**(130.7)**	**-**	**-**
Freight (transportation)	(6.5)	-	-
Royalties	(5.1)	-	-
Other[1]	(18.4)	-	-
Total operating expenses	**(160.7)**	**-**	**-**
Other income/(expenses)	1.0	-	-
EBITDA	**87.6**	**-**	**-**
Depreciation and amortisation expenses	(40.7)	-	-
EBIT	**46.9**	**-**	**-**
EBITDA margin	**35%**	**-**	**-**

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

MANAGEMENT DISCUSSION AND ANALYSIS MINE ANALYSIS – DUGALD RIVER CONTINUED

Dugald River achieved commercial production on 1 May 2018, from which time the project was accounted for as an operation. As a result, the 2018 results take into account sales revenue, operating expenses and depreciation and amortisation from 1 May 2018.

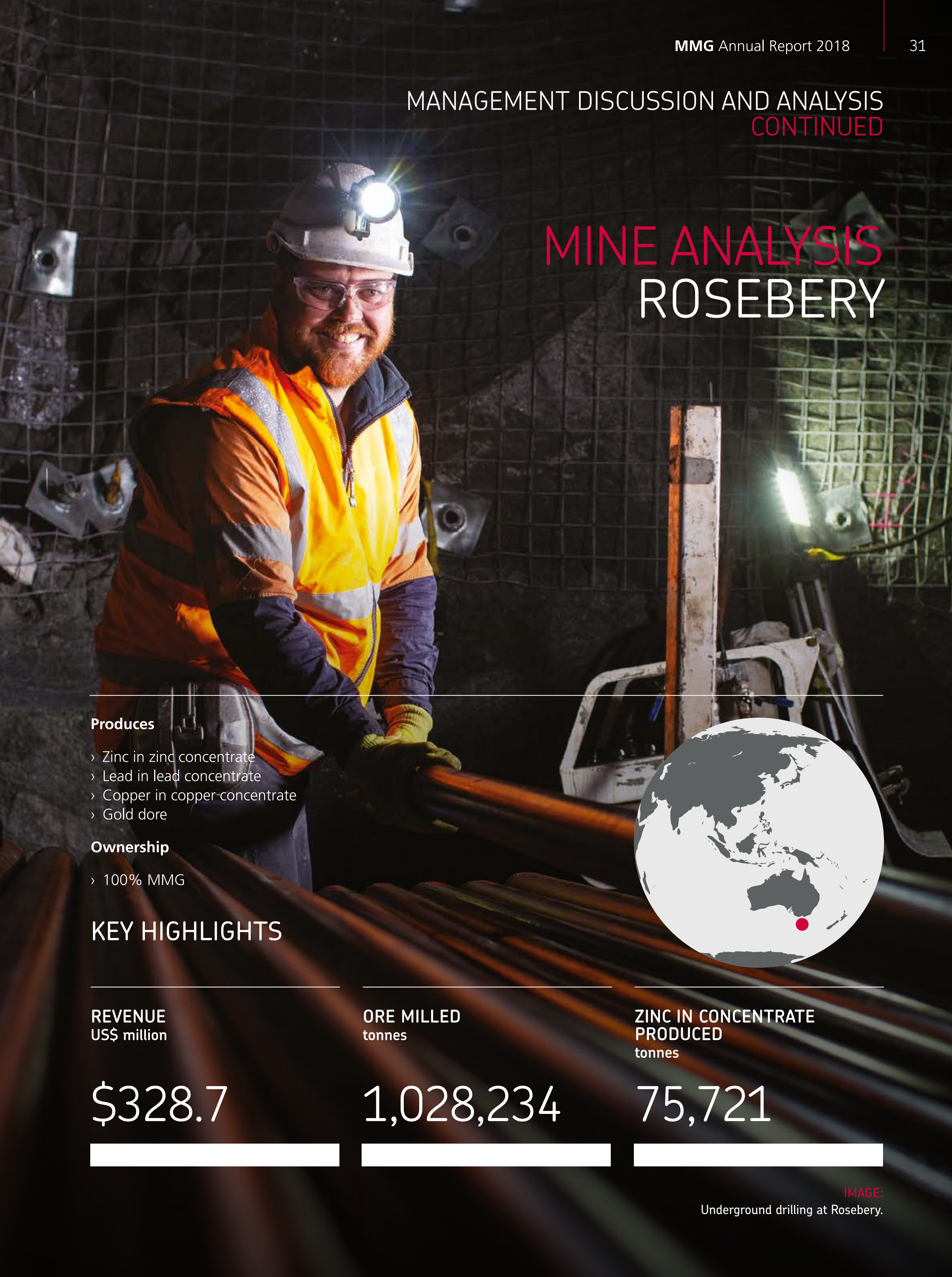
Dugald River ramped up at world class levels during 2018, producing 147,320 tonnes of zinc in concentrate. This included 39,717 tonnes pre-commercial production. Total mill throughput of 1.76 million tonnes in 2018 represented 103% of notional nameplate capacity, demonstrating a proven capability to operate the mill above design levels.

Revenue of US$247.3 million was derived from payable metal in product sold of 86,717 tonnes of zinc, 14,353 tonnes of lead and 888,683 ounces of silver since commercial production. Revenue and operating expenses incurred during project commissioning prior to 1 May 2018 have been capitalised. C1 costs since commercial production were US$0.58/lb, with production costs in line with expectations and the favourable variance to guidance (US$0.68 – 0.78/lb) largely driven by improved prices on lead by-product and lower zinc concentrate treatment charges. EBITDA for the year was US$87.6 million.

For 2019, production is expected to be 165,000-175,000 tonnes of zinc in zinc concentrate. Throughout 2019 the mine will continue to be developed to open up to a steady state number of operating stopes, with the main areas of focus to improve management of geotechnical conditions underground to minimise ore grade dilution and increasing mining production rates. With the experience of the post commercial production periods, the C1 unit costs are now expected to be between US$0.58 and US$0.68/lb in 2019, which is lower than the indicative range guidance of US$0.68-0.78/lb provided during construction and commissioning.

Dugald River is positioned to be within the world's top 10 zinc mines, with annual production of around 170,000 tonnes of zinc in zinc concentrate, plus by-products. The mine will operate over an estimated 20 years. The total capital cost for Dugald River, from 1 August 2015 until commercial production was approximately US$547 million, including the capitalised revenue generated during the pre-commissioning and ramp up stage prior to 1 May 2018.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED



MINE ANALYSIS ROSEBERY

Produces

- Zinc in zinc concentrate
- Lead in lead concentrate
- Copper in copper concentrate
- Gold dore

Ownership

- 100% MMG

KEY HIGHLIGHTS

REVENUE US$ million	ORE MILLED tonnes	ZINC IN CONCENTRATE PRODUCED tonnes
$328.7	1,028,234	75,721

IMAGE:
Underground drilling at Rosebery.

MANAGEMENT DISCUSSION AND ANALYSIS
MINE ANALYSIS – ROSEBERY
CONTINUED

YEAR ENDED 31 DECEMBER	2018	2017	CHANGE % FAV/(UNFAV)
Production			
Ore mined (tonnes)	1,017,089	990,813	3%
Ore milled (tonnes)	1,028,234	968,573	6%
Copper in copper concentrate (tonnes)	1,465	1,321	11%
Zinc in zinc concentrate (tonnes)	75,721	74,803	1%
Lead in lead concentrate (tonnes)	28,744	26,611	8%
Gold contained in gold doré (ounces)	12,968	12,451	4%
Silver contained in gold doré (ounces)	7,243	6,510	11%
Payable metal in product sold			
Copper (tonnes)	1,351	1,280	6%
Zinc (tonnes)	68,203	59,627	14%
Lead (tonnes)	27,381	23,761	15%
Gold (ounces)	33,949	27,765	22%
Silver (ounces)	2,918,804	2,354,540	24%

YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**328.7**	**288.8**	**14%**
Operating expenses			
Production expenses			
Mining	(71.8)	(77.6)	7%
Processing	(31.2)	(30.3)	(3%)
Other	(21.9)	(20.4)	(7%)
Total production expenses	**(124.9)**	**(128.3)**	**3%**
Freight (transportation)	(6.9)	(5.5)	(25%)
Royalties	(16.9)	(15.6)	(8%)
Other[1]	(8.5)	12.4	(169%)
Total operating expenses	**(157.2)**	**(137.0)**	**(15%)**
Other income/(expenses)	0.1	0.3	67%
EBITDA	**171.6**	**152.1**	**13%**
Depreciation and amortisation expenses	(73.8)	(69.6)	(6%)
EBIT	**97.8**	**82.5**	**19%**
EBITDA margin	**52%**	**53%**	**-**

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

Total revenue increased by US$39.9 million (14%) to US$328.7 million, with excellent operational performance that delivered record levels for mining, milling, zinc equivalent production and payable metal in product sold.

Total production expenses were US$3.4 million (3%) lower due to a series of initiatives including lower contractor spend due to the insourcing of mining and development work during the year. This is despite the record level of ore mined and milled. Other operating expenses were higher by US$20.9 million due to an unfavourable inventory movement resulting from the higher net drawdown of finished goods during the year reflecting the higher sales volumes in 2018.

EBITDA of US$171.6 million was US$19.5 million (13%) higher than 2017, due to higher revenue and lower production expenses.

Rosebery's zinc C1 costs were negative US$0.04/lb in 2018 due to the significant increase in sales volumes of lead, copper, gold and silver, which are treated as by-product credits in the calculation of C1.

The new 2/5 Tailings Dam was completed and commissioned during the year (total capital cost of A$52 million), which is an important investment to extend the life of the operation. This has been complemented by an investment in a new mobile fleet and the move to insource previously contracted development and mining activities. Over the next 12 to 18 months, Rosebery will invest significantly in resource extension drilling with the aim of extending current mine life. With ore grades expected to continue to decline in coming years, delivering on resource extension success and maximising throughput rates will continue to be important to the operation.

In 2019, MMG expects to produce between 85,000 and 95,000 tonnes of zinc in zinc concentrate at Rosebery, with C1 costs estimated to be US$0.25-0.35/lb. The higher zinc metal production in 2019 comes from a targeted mining area that is expected to deliver a lower contribution from precious metal by-products. This is expected to result in production being broadly flat in zinc equivalent terms and a higher C1 unit cost relative to 2018.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

CASH FLOW ANALYSIS

NET CASH FLOW

YEAR ENDED 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION
Net operating cash flows	1,731.5	2,369.8
Net investing cash flows	(104.9)	(522.4)
Net financing cash flows	(1,960.8)	(1,464.0)
Net cash (outflows)/inflows	(334.2)	383.4

Net operating cash inflows decreased by US$638.3 million (27%) to US$1,731.5 million mainly reflecting lower EBITDA as a result of lower copper sales at Las Bambas. This is partly offset by the achievement of commercial production at Dugald River in the first half of 2018.

Net investing cash outflows decreased by US$417.5 million (80%) to US$104.9 million mainly due to lower capital expenditure in 2018 ($367.8 million) with substantial completion of the Dugald River mine construction during 2017 and the capitalised revenue generated during its pre-commissioning stage prior to 1 May 2018.

Net investing cash flows in 2018 also included the US$113.9 million net proceeds from the disposal of Sepon (2017: US$208.4 million, relating to the disposals of Century, Golden Grove and Avebury assets).

Net financing cash outflows included a $1,196.8 million net repayment of borrowings and redemption of convertible redeemable preference shares (2017: $1,072.0 million), together with payment of interest and financing costs of US$759.6 million (2017: $409.1 million). In 2018, dividends of US$27.2 million were paid to the Government of Laos in relation to the Sepon divestment (2017: nil).

FINANCIAL RESOURCES AND LIQUIDITY

AT 31 DECEMBER	2018 US$ MILLION	2017 US$ MILLION	CHANGE US$ MILLION
Total assets	13,255.4	14,789.6	(1,534.2)
Total liabilities	(10,359.1)	(11,817.8)	1,458.7
Total equity	**2,896.3**	**2971.8**	**(75.5)**

Total equity decreased by US$75.5 million to US$2,896.3 million as at 31 December 2018, reflecting the reduction in non-controlling interests mainly due to the removal of the equity component of CRPS at the time of early redemption ($142.0 million), this is partly offset by the net profit from continuing operations ($136.6 million).

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

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

MMG GROUP	2018 US$ MILLION	2017 US$ MILLION
Total borrowings (excluding prepaid finance charges)[1]	8,203.3	9,270.9
Less: cash and cash equivalents	(601.9)	(936.1)
Net debt	**7,601.4**	**8,334.8**
Total equity	2,896.3	2,971.8
Net debt +Total equity	**10,497.7**	**11,306.6**
Gearing ratio	**0.72**	**0.74**

1. Borrowings at an MMG Group level reflect 100% of the borrowings of MMG South America Management Company Limited and its subsidiaries ("Las Bambas Joint Venture Group"). Las Bambas Joint Venture Group borrowings at 31 December 2018 were US$5,396.5 million (31 December 2017: US$6,330.9 million) and Las Bambas Joint Venture Group cash and cash equivalents at 31 December 2018 were US$470.2 million (31 December 2017: US$708.2 million). The Las Bambas Joint Venture Group's borrowings have not been reduced to reflect the MMG Group's 62.5% equity interest in that entity. This is consistent with the basis of preparation of MMG's financial statements.

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,261.3 million (2017: 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 Group. For the purpose of the above, it has however been included as borrowings.

AVAILABLE DEBT FACILITIES

As at 31 December 2018, the Group (excluding the Las Bambas Joint Venture Group) had available undrawn bank debt facilities of US$300.0 million (2017: US$380.0 million), represented by its undrawn revolving credit facility provided by ICBC, and available for general corporate purposes.

During 2018, the availability period under the US$550.0 million Dugald River facility provided by China Development Bank and Bank of China Limited (Sydney Branch) ended (2017: US$80.0 million was available but undrawn). No drawings were made under this facility during 2018 (2017: US$140 million).

As at 31 December 2018, the Las Bambas Joint Venture Group had available undrawn bank debt facilities of US$350.0 million (2017: US$350.0 million), represented by the existing US$350.0 million BOC Sydney Working Capital Revolving Facility, which is exclusively for the Las Bambas Joint Venture Group. This facility will mature in March 2019 and it is intended that it will be replaced during the first half of 2019. Management is in discussions with banks in relation to the replacement of the facility and has received a positive response from several potential counterparties.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

DEVELOPMENT PROJECTS

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

DUGALD RIVER, AUSTRALIA

Dugald River achieved commercial production on 1 May 2018. Commercial production is the date at which Dugald River has demonstrated stable operating performance and is treated as an operation, rather than a project for accounting purposes.

During the period up to 1 May 2018, Dugald River produced 39,717 tonnes of zinc in zinc concentrate. and US$106.4 million sales of zinc concentrate (39,500 tonnes payable metal sold) was made, which was capitalised to property, plant and equipment in accordance with requirements under HKAS 16. The total capital cost for Dugald River, from 1 August 2015 until commercial production was approximately US$547 million

CONTRACTS AND COMMITMENTS

567 contracts have been reviewed during 2018 through either out to market tender processes or in-contract renegotiations. The approximate annual operational or capital values addressed by these activities come to $714 million.

LAS BAMBAS

349 of the total number of new or revised contracts in the period were for requirements in support of optimising production and expansion options for Las Bambas including; contracts for the supply of additional mobile plant, spares and maintenance services for mobile fleet, contracts for engineering services and long lead equipment requirements for expansion projects, multiple site services contracts covering security, catering, camp management and transport services (including several community supplier engagements), contracts covering Tailings Storage Facility (TSF) and other site infrastructure capital works, multiple contracts covering operations, studies and exploration drilling services, contracts for the supply of SAG mill grinding media and multiple operations goods and services contracts in support of planned shut-downs and ongoing maintenance requirements. New travel management, regional hotels and office lease agreements support off-site requirements.

KINSEVERE

New and revised agreements were finalised with regard to various goods and services focussed on maintaining continued high levels of production while improving operational cost performance including; revision of significant mining and civil services contracts, operations and exploration drilling services contracts, new explosives and fuel supply agreements, multiple contracts covering material and service requirements for site infrastructure projects, multiple contracts for the supply of reagents and commodities and multiple near-site explorations support services contracts. In addition to operations-oriented agreements, multiple engineering services and consultancy agreements were finalised in support of Kinsevere expansion studies.

DUGALD RIVER

For the first half of 2018, the focus for Dugald River was support for commencement of commercial production on 1 May. In the second half, attention expanded to support early optimisation of operating costs. New and revised operations-related agreements were finalised including; a new explosives supply agreement, catering and camp management, multiple utilities supply amendments, multiple engineering services contracts, and multiple processing technology support contracts. Final logistics related capital and multiple site support contracts, with an emphasis on completion of infrastructure, were also concluded.

ROSEBERY

New and revised agreements were finalised with regard to various goods and services with a focus on supporting strategic in-sourcing of mine development activities and maintaining strong production performance. These included; conclusion of a long-term mining services (development) contract with the activity reverting to in-house, a new explosives supply agreement, new and revised logistics services contracts, drilling services, multiple contracts for the provision of goods and services for the maintenance of fixed and mobile assets and multiple new agreements for the supply of mining and maintenance consumables.

SEPON

For the 11 months to the end of November, new and revised agreements were finalised with regards to various goods and services focussed on maintaining stable mining and processing activities including; multiple high value chemical and reagent supply agreements, on-site catering, house-keeping and grounds maintenance contracts (including several local community engagements), multiple aviation support and services amendments, and several mobile and fixed plant spares and services contracts.

GROUP (INCLUDING GLOBAL GEOSCIENCE AND DISCOVERY REQUIREMENTS)

New and revised agreements were finalised with regards to various goods and services including; Group-wide travel management contracts, multiple IT related consultancy, goods supply and service agreements, new enterprise licence agreements, multiple corporate consultancy agreements and multiple exploration geophysical consultancy and survey agreements.

PEOPLE

As at 31 December 2018, the Group employed a total of 3,491 full-time equivalent employees (31 December 2017: 4,848) in its operations (excluding contractors) with the majority of employees based in Australia, Peru and DRC.

Total employee benefits expenses for the Group's continuing operations for the year ended 31 December 2018, including Directors' emoluments, totalled US$320.4 million – a reduction of 10% (2017: US$355.0 million), reflecting reduced headcount following efficiency improvement initiatives across the Group as well as lower incentive costs. This is partly offset by the commencement of commercial production at Dugald River.

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

EXPLORATION ACTIVITIES

Exploration activities were focused on Las Bambas and Kinsevere mine sites in Peru and the DRC as well as a number of greenfield prospects in Southern Africa, South America and Australia. Exploration expenditure for 2018 was US$47.5 million (2017: US$45.1 million).

At Las Bambas, exploration focused on resource definition drilling of the Ferrobamba and Chalcobamba deposits as well as the interpretation of recently acquired high resolution airborne hyperspectral data to identify prospective areas close to surface. In total, this program included 131 drill holes and approximately 60km of infill, resource definition and exploration drilling. In addition, surface exploration continued within the mining leases surrounding the currently identified mineral resources. Surface exploration programs include electrical and magnetic geophysical methods as well as surface geochemical surveys and are evaluating potential extensions to known mineral resources as well as recently identified exploration targets.

In the DRC, ongoing resource delineation drilling continues to confirm and define several compelling copper-cobalt targets at the Nambulwa, Mwepu, and Maga West Projects close to the Kinsevere Mine.

As announced during 2018, MMG will wind down its new discovery exploration programs in Australia and Africa following the company's decision to focus on exploration opportunities in and around our existing operating hubs (Las Bambas, DRC, and at our Rosebery and Dugald River operations in Australia). This change will deliver modest savings to our overall exploration budget and put greater focus on opportunities with more near to medium term growth potential.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

PROJECT	HOLE_TYPE	METERAGE (METRES)	NUMBER OF HOLES	AVERAGE LENGTH (METRES)
Africa, Australia, Asia				
Kinsevere RAD50	Diamond	15,617	93	168
	RC	8,838	73	121
	Aircore	3,758	149	25
DRC New Discovery	Diamond	1,042	6	174
Kinsevere (Near Mine)	Diamond	4,851	64	150
Kinsevere (Near Mine)	Reverse Circulation	19,791	224	90
Americas				
Las Bambas	Diamond	59,848	131	457
Total		**113,745**	**740**	

MATERIAL ACQUISITIONS AND DISPOSALS

The Group made no material acquisitions in the 12 months ended 31 December 2018.

SALE OF SEPON MINE

On 30 November 2018, the Group completed the sale of MMG Laos Holdings Limited to Chifeng Jilong Gold Mining Co., Limited (Chifeng), for total consideration of US$275.0 million. MMG Laos Holding Limited owns the Group's 90% interest in LXML, which in turn owns the Sepon mine in Lao PDR. The results of the Sepon mine are classified as a discontinued operation for the current reporting period to the date of completion of the sale on 30 November 2018, at which date the Group ceased to consolidate LXML. The sale of the Sepon mine follows the successful divestments of the Century, Golden Grove and Avebury assets in 2017. These sales were part of a strategy to focus the MMG portfolio on long life, high quality, base metal mining assets.

EVENTS AFTER THE REPORTING DATE

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.

FINANCIAL AND OTHER RISK MANAGEMENT

FINANCIAL RISK FACTORS

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

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

(a) Commodity price risk

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

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

COMMODITY	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US$ MILLION	DECREASE PROFIT US$ MILLION
Copper	10%	37.5	(37.5)
Zinc	10%	4.5	(4.5)
Lead	10%	0.4	(0.4)
Total		**42.4**	**(42.4)**

(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.

(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.

(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. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, the majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. All of the Group's trade receivables at 31 December 2018 are aged within six months of the invoice date.

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.

(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.

Sovereign risk

The Group conducts all its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates, changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in Governments seeking alternative means of increasing their income, including increases to corporate tax, value added tax and royalty rates, coupled with increased audit and compliance activity. This is also coupled with Governments being unable to pay Valued Added Tax refunds to companies largely due to cash flow difficulties. The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code) and will result in an increased tax burden on mining companies.

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, legal and administrative systems can be slow or uncertain and may result in risks to the Group including the ability to obtain tax refunds from governments and tax claims from third parties 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 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$351.1 million as at 31 December 2018 (2017: US$412.7 million).

CONTINGENT LIABILITIES – TAX RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. Application of tax laws and interpretation of tax laws may be uncertain in some regards and requires judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group' cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. The status of proceedings for these matters will impact the ability to determine the potential exposure and, in some cases, it may not be possible to determine a range of possible outcomes or a reliable estimate of the potential exposure.

The nature of the Group's activities triggers various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production based taxes and employment related taxes. The Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru, Zambia and DRC. The timing of resolution and potential economic outflow of the unresolved tax matters are uncertain. Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The Group continues to proactively cooperate with the relevant taxation authorities and to actively manage these audits and reviews. Where appropriate, the Group has filed appeals with either the relevant tax authority or the tax court. For those uncertain tax matters the Group presently has, they are either incapable of being measured reliably or there is remote possibility of economic outflow at the reporting date. As such, no provision has been reflected in the consolidated financial statements for such tax matters.

Where income tax and withholding tax obligations have been assessed and deemed to have probable future economic outflows capable of reliable measurement, the Group has provided for these as a provision.

CHARGES ON ASSETS

As at 31 December 2018, certain borrowings of the Group were secured as follows:

(a) Approximately US$445.56 million (2017: US$470.0 million) from China Development Bank and Bank of China Limited (Sydney Branch) was substantively secured by the shares and assets of MMG Dugald River Pty Ltd only. Prior to 9 January 2018, this debt 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. On 9 January 2018, members of the Group, China Development Bank and Bank of China (Sydney Branch) entered into certain security release documentation that substantially removed this security.

(b) Approximately US$5,396.48 million (2017: US$6,330.9 million) from China Development Bank, 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. Prior to 31 October 2018, these borrowings were also guaranteed on a several basis by CMNH and CMCL, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in the Las Bambas Joint Venture Group. On 31 October 2018, lenders agreed to release guarantees in relation to the Las Bambas Project Facility, which as at 31 December 2018 represented approximately US$4,697.35 million of this secured debt. The remaining US$699.0 million remained guaranteed.

FUTURE PROSPECTS

MMG expects to produce 462,500 and 485,000 tonnes of copper and 250,000 and 270,000 tonnes of zinc in 2019.

Total capital expenditure is expected to be between US$400 million and US$500 million for 2019. The major contributors to our 2019 capital program at Las Bambas include the acquisition of additional mine fleet to advance the development of the mine, including the Chalcobamba deposit, as well as the installation of a third ball mill to drive improved performance in the processing plant.

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 54, was appointed as a Non-executive Director and the Chairman of the Company in February 2017.

Mr Guo is a director and the President of China Minmetals Corporation (CMC), the Chairman of China Minmetals Corporation Limited (CMCL), as well as the Chairman of China Metallurgical Group Corporation (MCC Group) since May 2016, June 2018 and August 2014, respectively.

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

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

EXECUTIVE DIRECTORS

MR GAO XIAOYU

Mr Gao, aged 49, was appointed as the Chief Executive Officer (CEO) of the Company and redesignated from a Non-executive Director to an Executive Director of the Company in August 2018. He served as a Non-executive Director of the Company from April 2011 to July 2018. Mr Gao was a member of the Company's Audit Committee, Governance and Nomination Committee, Remuneration Committee and Risk Management Committee from May 2013, February 2017, August 2015 and October 2015 to July 2018 respectively. Mr Gao is also a director of a subsidiary of the Company.

Mr Gao was appointed as a director of China Minmetals Non-ferrous Metals Company Limited (CMN) in February 2016. He is a director of certain subsidiaries of CMC, including Top Create Resources Limited (Top Create) since February 2012. Mr Gao was also appointed as the Chairman of Copper Partners Investment Co., Ltd. (Copper Partners Investment) in July 2016, and of Album Enterprises Limited (Album Enterprises) in May 2016.

Mr Gao 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 and its subsidiaries (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, the Vice-President of CMN from January 2008 to February 2016 and the President of CMN from February 2016 to August 2018. Mr Gao was also the Vice-President of China Minmetals Non-ferrous Metals Holding Company Limited (CMNH) from January 2011 to January 2016.

MR XU JIQING

Mr Xu, aged 51, was appointed as an Executive Director and Executive General Manager - Strategic Planning of the Company in May 2013. His present role title is Executive General Manager – Marketing and Risk. Prior to that, Mr Xu served as a Non-executive Director of the Company from May 2009 until May 2013 and a member of the Company's Audit Committee from July 2009 until May 2013. He is a director of a number of subsidiaries of the Company. Mr Xu was also appointed as a director of CMN in February 2016.

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

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 Hunan Nonferrous Metals Holding Group Co., Ltd. (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 Industry Group Co., Ltd. (Jiangxi Tungsten) from December 2009 to December 2014 and from April 2010 to August 2014 respectively.

NON-EXECUTIVE DIRECTORS

MR JIAO JIAN

Mr Jiao, aged 50, was redesignated from an Executive Director and CEO to a Non-executive Director of the Company in August 2018. Prior to his redesignation, he was an Executive Director and the CEO of the Company from February 2017 to July 2018, the Chairman of the Company from August 2014 to February 2017 and a Non-executive Director of the Company from December 2010 to February 2017. Mr Jiao is a member of the Company's Audit Committee, Governance and Nomination Committee, Remuneration Committee and Risk Management Committee.

Mr Jiao was reappointed as Vice-President of CMC and designated as director and the President of CMCL in August 2018. He was appointed as the Chairman of CMN in February 2016, and has been a director of CMN since December 2009. Mr Jiao has also been a director of 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 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 CMNH from December 2009 to February and January 2016, respectively. Mr Jiao was the Vice-President of CMC from December 2015 to January 2017. He was also a director of China Minmetals H.K. (Holdings) Limited (Minmetals HK) from August 2016 to March 2017.

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

MR ZHANG SHUQIANG

Mr Zhang, aged 52, was appointed as a Non-executive Director of the Company in February 2017. He is a member of the Company's Audit Committee and Remuneration Committee.

Mr Zhang has been the General Manager of the Finance Department of CMC since January 2016, a director of CMNH and CMN since February 2016, and a director of Minmetals HK since August 2016. He was appointed as a director of Minmetals Capital Company Limited and Minmetals Innovative Investment Co., Limited in April 2017 and July 2017 respectively. Mr Zhang was also appointed as the Chairman of Minmetals Finance Co., Ltd. in September 2018. He 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. Mr Zhang was also a director of HNG from August 2013 to January 2017 and a director of China Tungsten and Hightech Materials Co., Ltd. (a company listed on the Shenzhen Stock Exchange) from June 2016 to November 2018.

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 and 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

DIRECTORS AND SENIOR MANAGEMENT CONTINUED

CMC. From December 2016 to August 2018, he was a director of Minmetals Development Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

DR PETER CASSIDY

Dr Cassidy, aged 73, 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.

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); Energy Developments Limited (2003 to 2009) and Kerry Gold Mines Limited (2010 to 2018).

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

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

Mr Leung is a solicitor admitted to practise law in Hong Kong, England and Wales, and Victoria and the Australian Capital Territory in 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 62, 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 has been an independent non-executive director of Iluka Resources Limited (a company listed on the Australian Securities Exchange (ASX)) since May 2008, chairing its Audit and Risk Committee and is a member of its People and Performance Committee and Nominations Committee. She has also been an independent non-executive director of IRESS Limited (a company listed on ASX) since August 2008, chairing its People and Performance Committee and is a member of its Audit Committee. Ms Seabrook has been a senior adviser to Gresham Advisory Partners Limited since 2008 after being an executive director with Gresham Advisory Partners Limited from 1998 to 2008. She was appointed as a non-executive director, a member of the Audit and Compliance Committee and the Risk Committee of the Australian Rail Track Corporation (a Federal Government of Australia owned statutory corporation) in December 2016 and a member of its Inland Rail Board Committee in September 2017. Ms Seabrook was also appointed as an independent non-executive director of BGC (Australia) Pty Ltd and Esther Investment Proprietary Limited in October

2018. She was an independent non-executive director and a member of the Audit Committee of Western Australian Treasury Corporation from October 2015 to September 2018.

PROFESSOR PEI KER WEI

Professor Pei, aged 61, 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 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 since October 2015.

BIOGRAPHIES OF SENIOR MANAGEMENT

MR ROSS CARROLL, CHIEF FINANCIAL OFFICER

Mr Carroll, aged 54, 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, Group Technical Services and Exploration. He is also a director of a number of subsidiaries of the Company.

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

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

MR GREG TRAVERS, EXECUTIVE GENERAL MANAGER – BUSINESS SUPPORT

Mr Travers, aged 60, has served on the Executive Committee of the Company since May 2014 in his capacity as Executive General Manager – Business Support. In this role, he is responsible for Human Resources, Remuneration and Benefits, Shared Business Services, Information Technology, Legal and Supply Chain. Mr Travers has been appointed as an Acting Chief Operating Officer from August 2017 to December 2017. He is also a director of a number of subsidiaries of the Company.

Mr Travers previously worked at Myer Limited from 2006 to 2014. He was director of Strategic Planning and Human Resources before being appointed Executive General Manager Business Services and Strategic Planning in 2010, responsible for a range of business areas similar to his

DIRECTORS AND SENIOR MANAGEMENT CONTINUED

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 48, has served on the Executive Committee of the Company since August 2013 in his capacity as the Executive General Manager – Stakeholder Relations. In this role, he is responsible for the Safety, Health, Environment, Communications, External Relations Security and Community functions. He is also a director of a subsidiary of the company.

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

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

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

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

Mr Davis, aged 46, has served on the Executive Committee of the Company since January 2018 in his capacity as the Executive General Manager Operations – Africa, Australia and Asia. He is also a director of a number of subsidiaries of the Company.

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

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

MR SURESH VADNAGRA, EXECUTIVE GENERAL MANAGER OPERATIONS – AMERICAS

Mr Vadnagra, aged 45, has served on the Executive Committee of the Company since January 2018 in his capacity as the Executive General Manager Operations – Americas. He is also a director of a number of subsidiaries of the Company.

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

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

DIRECTORS' REPORT

The Board of Directors of the Company (Board) is pleased to present the Annual Report together with the audited Financial Statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

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

An analysis of the Group's revenue for the year ended 31 December 2018 by reportable segments, together with their respective contributions to profit from operations (EBIT), is set out in Note 5 to the Consolidated Financial Statements.

STRATEGY AND BUSINESS REVIEW

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

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

– People and Organisation - we provide a safe, healthy and secure workplace and a culture that values collaboration, accountability and respect;
– Operations - we operate and develop our assets to their full potential;
– Reputation and Sustainability - we are valued for our commitment to progress, long-term partnerships and international management; and
– Inorganic Growth - we acquire operating and development stage assets that transform our business.

MMG has taken deliberate steps to lay a strong foundation. Operational management is based around two decentralised regional operating hubs in the Americas and in the Africa, Australia and Asia regions. In parallel, MMG has simplified and improved the quality of its asset portfolio through a successful programme of divesting non-core assets.

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 is focused on containing costs, continually improving productivity, and growing its resource base. It has strengthened its balance sheet through ongoing debt reduction, enabling the company to step into its next phase of disciplined growth.

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 73 to 81 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 36.6% and approximately 77.4% of the total sales of the Group respectively. Purchases from the five largest suppliers to the Group in aggregate accounted for approximately 13.9% 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 2018 are set out in the Consolidated Statement of Profit or Loss in the Financial Statements on page 89 of this Annual Report.

No interim dividend was declared for 2018 (2017: nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

RESERVES

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

DIRECTORS' REPORT CONTINUED

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2018 are set out in Note 24 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

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

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2018 are set out in Note 25 to the Consolidated Financial Statements.

During 2018, the Company and its subsidiaries continued to maintain loan agreements that included conditions imposing specific performance obligations on a controlling Shareholder. A breach of such an obligation would cause a default in respect of loans that are significant to the operations of the issuer, the details of which are set out below.

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

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

Facilities granted by China Development Bank and Bank of China Limited

On 27 June 2013, the Company, MMG Dugald River and certain other subsidiaries entered into a facility agreement with CDB and BOC Sydney in relation to the financing of the development and construction of the Dugald River project for an amount up to US$1.0 billion (Dugald River Facility). On 27 June 2016, the parties to the Dugald River Facility entered into an amendment agreement pursuant to which the Dugald River Facility was reduced to US$550.0 million. On 9 January 2018, the Dugald River Facility was further amended to, among other things, reduce the security arrangements and relax covenant compliance requirements. The Dugald River Facility was available for drawdown until 27 June 2018, and is to be repaid by 28 June 2026. As at 31 December 2018, the amount of US$445.6 million was outstanding 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.

Facility granted by Industrial and Commercial Bank of China Limited

On 20 May 2014, ICBC and MMG Finance Limited entered into a US$300.0 million three-year loan facility which consisted of a US$200.0 million term facility along with a US$100.0 million revolving facility for discretionary working capital (2014 ICBC Facility). On 30 December 2016, MMG Finance Limited prepaid all amounts then outstanding under the 2014 ICBC Facility, at which point the US$200.0 million term tranche was cancelled. On 22 May 2017, the remaining US$100.0 million revolving tranche of the facility expired. At that time, no amounts were outstanding.

On 22 December 2017, MMG Finance Limited entered into a restatement and amendment agreement of the 2014 ICBC Facility for the purpose of establishing a new facility (2017 ICBC Facility) pursuant to which ICBC agreed to provide MMG Finance Limited with a US$300.0 million revolving credit facility for a term of three years for general corporate purposes. As at 31 December 2018, the 2017 ICBC Facility was undrawn.

Under the 2017 ICBC Facility, an event of default will occur in the event that the Company ceases to be a subsidiary of CMN or MMG Finance Limited ceases to be a wholly owned subsidiary of the Company, and the lender may declare all outstanding loans under the facilities immediately due and payable.

Please refer to the announcements of the Company on 22 August 2012, 27 June 2013, 20 August 2013, 20 May 2014, 27 June 2016, 23 December 2016, 22 December 2017 and 9 January 2018 for further details of the facilities referred to above.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 170 to 171 of this Annual Report.

SHARE CAPITAL

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

DONATIONS

Donations made by the Group during the year for charitable and community purposes amounted to approximately US$547,625.

DIRECTORS

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

CHAIRMAN

Mr GUO Wenqing (Non-executive Director)

EXECUTIVE DIRECTORS

Mr GAO Xiaoyu (CEO)
(Redesignated from a Non-executive Director to an Executive Director and appointed as the CEO of the Company on 1 August 2018)

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

NON-EXECUTIVE DIRECTORS

Mr JIAO Jian
(Redesignated from an Executive Director to a Non-executive Director and resigned as the CEO of the Company on 1 August 2018)

Mr ZHANG Shuqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Peter CASSIDY

Mr LEUNG Cheuk Yan

Ms Jennifer SEABROOK

Professor PEI Ker Wei

On 1 August 2018, Mr Gao Xiaoyu was redesignated from a Non-executive Director to an Executive Director and CEO of the Company and Mr Jiao Jian was redesignated from an Executive Director to a Non-executive Director of the Company.

In accordance with article 98 of the articles of association of the Company, Mr Xu Jiqing and Mr Zhang Shuqiang will retire by rotation at the Company's forthcoming annual general meeting (AGM) and, being eligible, offer themselves for re-election.

In accordance with article 98 of the articles of association of the Company and Code Provisions A.4.2 and A.4.3 in Appendix 14 of the Listing Rules, Dr Peter Cassidy will retire by rotation at the Company's forthcoming AGM and, being eligible, offer himself 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 2018, 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 as set out in Appendix 10 of the Listing Rules (Model Code) were as follows:

DIRECTORS' REPORT CONTINUED

LONG POSITION IN THE SHARES AND THE UNDERLYING SHARES OF THE COMPANY AS AT 31 DECEMBER 2018

NAME OF DIRECTOR[1]	NATURE OF INTEREST	NUMBER OF SHARES HELD	NUMBER OF UNDERLYING SHARES HELD		APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[4]
			OPTIONS[2]	PERFORMANCE AWARDS[3]	
XU Jiqing	Personal	-	6,119,962	2,181,833	0.10

Notes:

1. On 1 August 2018, Mr Jiao Jian resigned as the CEO and was redesignated from an Executive Director to a Non-executive Director of the Company. His interests in the 7,333,333 performance awards granted on 31 August 2017 under 2017 Performance Awards lapsed on the same day.
2. Mr Xu Jiqing's interests in the underlying shares of the Company are through options granted by the Company, details of which are set out under the section headed 'Share Option Scheme' on pages 51 to 53 of this Annual Report.
3. Mr Xu Jiqing's interests in the underlying shares of the Company are through performance awards granted by the Company, details of which are set out under the section headed 'Performance Awards' on pages 54 to 55 of this Annual Report. His interests in the 2,181,833 performance awards as at 31 December 2018 do not include the 1,880,100 2015 Performance Awards, which were fully vested and exercised on 8 March 2018, of which 50% is subject to holding locks for up to 24 months.
4. The calculation is based on the number of shares and/or underlying shares as a percentage of the total number of issued shares of the Company (that is: 8,051,998,184 shares) as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 December 2018, the interests of Directors in a business that competes or is likely to compete with the businesses of the Group, as defined in the Listing Rules, are as follows:

1. Mr Guo Wenqing, a Non-executive Director and the Chairman of the Company, is:
   - a director and the President of CMC;
   - the Chairman of CMCL; and
   - the Chairman of MCC Group.
2. Mr Gao Xiaoyu, an Executive Director and the CEO of the Company (formerly a Non-executive Director of the Company), is:
   - a director of CMN;
   - a director of Top Create;
   - the Chairman of Album Enterprises; and
   - the Chairman of Copper Partners Investment.
3. Mr Xu Jiqing, an Executive Director of the Company, is:
   - a director of CMN.
4. Mr Jiao Jian, a Non-executive Director of the Company (formerly an Executive Director and the CEO of the Company), is:
   - the Vice President of CMC;
   - a director and the President of CMCL;
   - the Chairman of CMN; and
   - a director of HNG.
5. Mr Zhang Shuqiang, a Non-executive Director of the Company, is:
   - the General Manager of the Finance Department of CMC;
   - a director CMNH;
   - a director of CMN;
   - a director of Minmetals HK;
   - a director of Minmetals Capital Company Limited;
   - the Chairman of Minmetals Finance Co., Ltd.; and
   - a director of Minmetals Innovative Investment Co., Limited.

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 (EGM) of the Company held on 26 March 2013 (2013 Share Option Scheme), options were granted to eligible participants under 2013 Options and 2016 Options. As at 31 December 2018, there were a total of 160,333,869 options outstanding granted under 2013 Options and 2016 Options, which represented approximately 1.99% of the total number of issued shares of the Company as at that date.

The following is a summary of the principal terms of the 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 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 312,131,539 shares, representing approximately 3.88% 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.

DIRECTORS' REPORT CONTINUED

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:

– 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

– 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.

2013 OPTIONS

On 9 April 2013, 13 December 2016 and 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2013 Options). There were 27,859,828 options outstanding as at 31 December 2018, which represented approximately 0.35% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2018, the movements of the 2013 Options were as follows:

				NUMBER OF OPTIONS				
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1,2,3]	EXERCISE PRICE PER SHARE (HK$)[2,4]	EXERCISE PERIOD[2,5]	BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR[6]	LAPSED DURING THE YEAR[7]	BALANCE AS AT 31 DECEMBER 2018
Director								
XU Jiqing	15 December 2016	2.51	End of vesting period to 8 April 2020	2,626,701	-	-	-	2,626,701
Employees of the Group	9 April 2013, 13 December 2016 and 15 December 2016	2.51	End of vesting period to 8 April 2020	52,821,563	-	(27,588,359)	(77)	25,233,127
TOTAL				**55,448,264**	**-**	**(27,588,359)**	**(77)**	**27,859,828**

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 9 April 2013 was HK$2.45 per share.
2. Pursuant to the terms of the long-term incentive equity plan of the Company (Long Term Incentive Equity Plan), which governs (among others) the share option scheme, the exercise price and the number of shares issuable upon exercise of the 2013 Options were adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, adjustment of options took place on 13 December 2016, and conversion from cash-based entitlements to equity-based entitlements took place on 15 December 2016.
3. As originally contemplated in the 2013 Long Term Incentive Cash Plan, 5,923,307 Options were also granted to certain employees of the Company and its subsidiaries, as a result of the conversion of their entitlements under the 2013 Long Term Incentive Cash Plan pursuant to the 2013 Share Option Scheme, to the equity equivalent of the entitlements they would have received historically under the 2013 Share Option Scheme, had they received such equity-based entitlements, rather than cash-based entitlements, at that time. The options are fully vested upon grant. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
4. As a result of 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, resources growth and market-related performance targets during the vesting period. Achievement of Company and individual performance conditions has resulted in 66.67% of the 2013 Options granted to participants vesting on 9 April 2016.
6. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK$5.43.
7. Options lapsed due to cessation of employment.
8. No options were cancelled during the year.

2016 OPTIONS

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 132,474,041 options outstanding as at 31 December 2018, which represented approximately 1.64% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2018, the movements of the 2016 Options 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 2018	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	LAPSED DURING THE YEAR[3]	BALANCE AS AT 31 DECEMBER 2018
Director								
XU Jiqing	15 December 2016	2.29	4 years after the date of vesting	3,493,261	-	-	-	3,493,261
Employees of the Group	15 December 2016	2.29	4 years after the date of vesting	134,329,280	-	-	(5,348,500)	128,980,780
TOTAL				**137,822,541**	**-**	**-**	**(5,348,500)**	**132,474,041**

Notes:

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Options vest on a percentage basis based on the target performance level achieved.
3. Options lapsed due to cessation of employment.
4. The total number of vested options is subject to Board approval at the end of the vesting period. No options were cancelled during the year.

DIRECTORS' REPORT CONTINUED

PERFORMANCE AWARDS

Pursuant to the performance awards granted under the Long Term Incentive Equity Plan, performance awards were granted to eligible participants under 2015 Performance Awards, 2017 Performance Awards and 2018 Performance Awards. As at 31 December 2018, there were a total of 53,178,005 performance awards outstanding granted under the 2017 Performance Awards and 2018 Performance Awards, which represented approximately 0.67% of the total number of issued shares of the Company as at that date.

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 no performance awards outstanding as at 31 December 2018.

During the year ended 31 December 2018, the movements of the 2015 Performance Awards were as follows:

		NUMBER OF PERFORMANCE AWARDS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1]	BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	VESTED DURING THE YEAR[2]	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[3]	BALANCE AS AT 31 DECEMBER 2018
Director							
XU Jiqing	19 May 2015 and 13 December 2016	1,880,100	-	(1,880,100)	-	-	-
Employees of the Group	19 May 2015 and 13 December 2016	70,249,835	-	(59,395,871)	-	(10,853,964)	-
TOTAL		**72,129,935**	**-**	**(61,275,971)**	**-**	**(10,853,964)**	**-**

Notes:

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. As a result, some additional performance awards were granted on 13 December 2016.
2. The vesting and performance period of the performance awards is three years from 1 January 2015 to 31 December 2017. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vested on a percentage basis based on the performance conditions achieved. The performance awards are granted for nil cash consideration. Achievement of Company and individual performance conditions has resulted in 100% of the 2015 Performance Awards granted to participants vesting on 8 March 2018. Portion of the vested performance awards are subject to holding locks for various periods of up to three years after vesting.
3. Performance awards lapsed due to cessation of employment.

2017 PERFORMANCE AWARDS

On 31 August 2017, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2017 Performance Awards). There were 43,905,449 performance awards outstanding as at 31 December 2018, representing approximately 0.55% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2018, the movements of the 2017 Performance Awards were as follows:

		NUMBER OF PERFORMANCE AWARDS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT	BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	VESTED DURING THE YEAR[1]	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AS AT 31 DECEMBER 2018
Directors							
JIAO Jian	31 August 2017	7,333,333	-	-	-	(7,333,333)[2]	-
XU Jiqing	31 August 2017	1,476,000	-	-	-	-	1,476,000
Employees of the Group	31 August 2017	45,137,559	-	-	-	(2,708,110)[3]	42,429,449
TOTAL		**53,946,892**	**-**	**-**	**-**	**(10,041,443)**	**43,905,449**

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019. The time of vesting will be on or around April 2020. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration.
2. On 1 August 2018, Mr Jiao Jian resigned as the CEO and was redesignated from an Executive Director to a Non-executive Director of the Company. His interests in the 7,333,333 performance awards lapsed on the same day.
3. Performance awards lapsed due to cessation of employment.

2018 PERFORMANCE AWARDS

On 29 June 2018, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2018 Performance Awards). There were 9,272,556 performance awards outstanding as at 31 December 2018, representing approximately 0.12% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2018, the movements of the 2018 Performance Awards were as follows:

		NUMBER OF PERFORMANCE AWARDS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT	BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	VESTED DURING THE YEAR[1]	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[2]	BALANCE AS AT 31 DECEMBER 2018
Director							
XU Jiqing	29 June 2018	-	705,833	-	-	-	705,833
Employees of the Group	29 June 2018	-	8,811,776	-	-	(245,053)	8,566,723
TOTAL		**-**	**9,517,609**	**-**	**-**	**(245,053)**	**9,272,556**

Notes:

1. The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The time of vesting will be on or around June 2021. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

DIRECTORS' REPORT CONTINUED

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

So far as is known to the Directors and CEO of the Company, as at 31 December 2018, 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 2018

NAME OF SUBSTANTIAL SHAREHOLDER	CAPACITY	NUMBER OF SHARES HELD[1]	APPROXIMATE PERCENTAGE OF TOTAL NUMBER OF ISSUED SHARES (%)[2]
China Minmetals Corporation (CMC)	Interest of controlled corporations	5,847,166,374	72.62
China Minmetals Corporation Limited (CMCL)	Interest of controlled corporations	5,847,166,374	72.62
China Minmetals Non-ferrous Metals Holding Company Limited (CMNH)	Interest of controlled corporations	5,847,166,374	72.62
China Minmetals Non-ferrous Metals Company Limited (CMN)	Interest of controlled corporations	5,847,166,374	72.62
Album Enterprises Limited (Album Enterprises)	Interest of controlled corporations	5,847,166,374	72.62
China Minmetals H.K. (Holdings) Limited (Minmetals HK)	Beneficial owner	5,847,166,374	72.62

Notes:

1. Minmetals HK is owned as to approximately 39.04%, 38.95% and 22.01% by CMCL, Album Enterprises and Top Create Resources Limited respectively. Album Enterprises and Top Create Resources Limited are wholly owned by CMN, which in turn is owned as to approximately 99.999% and 0.001% by CMNH and CMCL respectively. CMNH is a wholly owned subsidiary of CMCL. CMCL is owned as to approximately 87.5% by CMC and approximately 0.8% by China National Metal Products Co. Ltd., which in turn is a wholly owned subsidiary of CMC. Accordingly, each of CMC, CMCL, CMNH, CMN and Album Enterprises was deemed as interested in the 5,847,166,374 shares of the Company held by Minmetals HK.
2. The calculation is based on the number of shares that each person is interested in (whether directly/indirectly interested or deemed to be interested) as a percentage of the total number of issued shares (that is, 8,051,998,184 shares) of the Company as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, 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 2018 the Group had the following material connected transactions, details of which are set out below:

1. On 20 December 2018, MMG Dugald River Pty Ltd entered into an agreement with Minmetals North-Europe AB in relation to the sale of approximately 10,000 dry metric tonnes of zinc concentrates produced at the Dugald River mine valued at approximately US$10.0 million (Dugald River Zinc Concentrate Sale Agreement). The delivery of zinc concentrates pursuant to the agreement took place in January 2019.

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

2. On 5 December 2017, the Company announced that it had resolved to satisfy performance awards in respect of the Company's 2015 Performance Awards and 2017 Performance Awards, to the extent they vest in accordance with their terms, by way of issue and allotment of an aggregate of up to 126,521,271 new Award Shares pursuant to the general mandate. Certain participants under the Company's long term incentive equity plans are directors of the Company and/or directors of significant subsidiaries of the Company, and are therefore connected persons. Accordingly, the proposed issuance of up to 45,004,750 of the new Award Shares by the Company to such participants, to the extent that the relevant performance awards vest in accordance with their terms, constituted non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and were subject to, among other conditions, approval by the Independent Shareholders of the Company at an EGM.

   On 8 March 2018, the Company convened an EGM of shareholders at which the issue of Award Shares to the 16 connected persons was considered and approved by a majority of independent shareholders. On 13 March 2018, 26,045,652 shares were issued pursuant to the 2015 Performance Awards to the connected persons.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group had the following material continuing connected transactions, details of which are set out below:

1. On 27 June 2014, MMG SA entered into an agreement with CMN in relation to the sale of copper concentrate to be purchased by MMG SA from the Las Bambas Project to the CMN Group (Las Bambas CMN Copper Sale Framework Agreement), subject to the approval of the Independent Shareholders. The Independent Shareholders approved the Las Bambas CMN Copper Sale Framework Agreement, and the proposed annual caps on sales, at an EGM 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 2018 was set at 354,000 tonnes. During the year ended 31 December 2018 approximately 220,605 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 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,

DIRECTORS' REPORT CONTINUED

which for the year commencing 1 January 2018 was set at 162,000 tonnes. During the year ended 31 December 2018 approximately 101,048 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 MMG SAM. 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.

3. 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 2018 was US$5.0 million. During the year ended 31 December 2018 no shipping services were purchased by the Company from Minmetals Logistics.

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

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

   On 22 December 2017 (Hong Kong time), Minera Las Bambas elected to exercise its first option to extend the Las Bambas Grinding Media Supply Agreement for a further period of 12 months. On 31 December 2018, Minera Las Bambas elected to exercise its second option to extend the Las Bambas Grinding Media Supply Agreement for a further period of 12 months.

   The maximum aggregate amount to be paid in 2018 under (i) the Las Bambas Grinding Media Supply Agreement was US$16.0 million and (ii) the Australian Operations Grinding Media Supply Agreement was US$3.5 million. For the year ended 31 December 2018, expenditure under (i) the Las Bambas Grinding Media Supply Agreement was US$9.0 million and (ii) the Australian Operations Grinding Media Supply Agreement was US$0.9 million.

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

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

   The annual cap for sales under the Rosebery Concentrate Sales Agreement for each of the years ending 31 December 2018 and 2019 is US$25.0 million. For the year ended 31 December 2018, US$12.1 million in sales were transacted.

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

6. On 10 November 2017, the Company announced that LXML had entered into an agreement with CMN, in relation to the sale of copper cathodes by LXML to CMN during 2018 (2018 Copper Cathode Sales Agreement). The annual cap for sales under the 2018 Copper Cathode Sales Agreement for the year ending 31 December 2018 is US$118.0 million. During the period ending 30 November 2018, being the date of divestment of the Sepon mine, US$113.5 million in sales were transacted.

   CMN is the controlling shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As a result, the 2018 Copper Cathode Sales Agreement constitutes a continuing connected transaction for the Company.

7. On 8 December 2017, MMG Dugald River Pty Ltd entered into an agreement in relation to the sale of zinc

concentrates produced at the Dugald River mine to Minmetals North-Europe during 2018 (2018 Dugald River Zinc Concentrate Sales Agreement).

The annual cap for sales under the 2018 Dugald River Zinc Concentrate Sales Agreement for the financial year ending 31 December 2018 is US$123.0 million. During the year ended 31 December 2018, US$102.0 million in sales were transacted.

During 2018, the Company also announced that MMG Dugald River Pty Ltd had entered into Zinc Concentrate Sales Agreements with Minmetals North-Europe as follows: (i) on 20 August 2018, the Dugald River Zinc Concentrate Sales Agreement No. 1 for sales of approximately 40,000 dry metric tonnes of zinc during 2019 and 2020 with an annual cap of US$50.0 million per year, and (ii) on 5 December 2018, the Dugald River Zinc Concentrate Sales Agreement No. 2 for sales of approximately 100,000-120,000 dry metric tonnes of zinc during 2019, 2020 and 2021 with an annual cap of US$130.0 million per year.

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

8. On 20 December 2017, MMG Finance Limited entered into a one-year loan facility agreement with Album Enterprises pursuant to which MMG Finance Limited agreed to make available to Album Enterprises up to US$120.0 million for the working capital requirements of Album Enterprises (Album Loan Facility). During the year ended 31 December 2017, a loan of US$120.0 million was advanced under the Album Loan Facility. This loan was repaid, with accrued interest, by Album Enterprises in January 2018 and the agreement expired in December 2018.

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

Upon the completion of the acquisition of Minerals and Metals Group on 31 December 2010, the following material continuing transactions became continuing connected transactions under Chapter 14A of the Listing Rules (Grandfather Continuing Connected Transactions) and details of these transactions for the year ended 31 December 2018 are set out below:

9. 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 2018, 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 and the Company will comply with Listing Rule 14A.60 in respect of this transaction.

10. 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 Government of Laos holds a 10% equity interest in LXML and was therefore a connected person of the Company under the Listing Rules until the divestment of MMG Laos Holdings on 30 November 2018. The transactions under the MEPA constituted Grandfathered Continuing Connected Transactions for the Company and the Company has complied with Listing Rule 14A.60 in respect of these transactions subject to Listing Rule 14A.101 and the terms of the waiver of the Listing Rules discussed below.

    The MEPA, among other things, grants a licence to operate the project contemplated by the MEPA, being the Sepon mine 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 mine 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 period ended 30 November 2018, the actual amount payable under the MEPA was approximately US$21.8 million, being an aggregated amount of all taxes and royalties payable to the Government of Laos pursuant to the MEPA.

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.

DIRECTORS' REPORT CONTINUED

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 transaction described above in item 10 has been reported in accordance with these requirements up to the date of the divestment of the Sepon mine on 30 November 2018.

REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions described above for the year ended 31 December 2018 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) 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 CITIC Copper Concentrate Offtake Agreement, the Grinding Media Supply Agreements, the Rosebery Concentrate Sales Agreement, the 2018 Copper Cathode Sales Agreement, the 2018 Dugald River Zinc Concentrate Sales Agreement, the Album Loan Facility 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 2018 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 2018:

(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 CITIC Copper Concentrate Offtake Agreement, the Grinding Media Supply Agreements, the Rosebery Concentrate Sales Agreement, the 2018 Copper Cathode Sales Agreement, the 2018 Dugald River Zinc Concentrate Sales Agreement, and the Album Loan Facility 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 for a principal sum of up to US$2,262.0 million to MMG SA for a term of four years for the purpose of acquiring the Las Bambas Project. On 29 December 2017, the Company announced that the loan facility was amended by the parties for the purpose of (among other things) extending the term of the loan from four years to eleven years. Such loan facility was exempt from the announcement and reporting requirements of the Listing Rules with respect to connected transactions on the basis that it was unsecured and on normal commercial terms.

Particulars of other contracts of significance that exist between the Company (or one of its subsidiary companies) and a controlling Shareholder (or any of its subsidiaries) are set out under Connected Transactions on page 57 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 30 to the Consolidated Financial Statements.

Related party transactions set out in Notes 30(a) and 30(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 2018, 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 takes into consideration factors such as remuneration paid by comparable companies, accountabilities of the Directors, applicable regional employment conditions. In the circumstance of Executive Directors, appropriate 'at-risk' performance-based remuneration is also provided.

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 Executive 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 13 to the Consolidated Financial Statements.

DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors and senior management of the Company are set out on pages 42 to 46 of this Annual Report.

INDEPENDENT AUDITOR

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

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

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 62 to 72 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.

EVENTS AFTER THE BALANCE SHEET DATE

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

By order of the Board
GUO Wenqing
CHAIRMAN
6 March 2019

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 2018, except for the deviations from code provision A.4.1 as explained under the section headed 'Re-election of Directors' and also code provision E.1.2 as explained below.

Code provision E.1.2 requires the Chairman of the Board to attend and answer questions at the AGM. Mr Guo Wenqing, the Chairman of the Board, was not available for the Company's AGM held on 24 May 2018 due to unplanned business commitment. Accordingly, Dr Peter Cassidy, an Independent Non-executive Director, the Chairman of the Remuneration Committee, and a member of the Governance and Nomination Committee and the Risk Management Committee of the Company, was nominated by the Board to take the chair of the said meeting.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a model code for securities trading by Directors (Securities Trading Model Code) on terms no less exacting than the required standard of the Model Code.

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 2018.

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 GAO Xiaoyu (CEO)
(Redesignated from a Non-executive Director to an Executive Director and appointed as the CEO of the Company on 1 August 2018)

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

Non-executive Directors

Mr GUO Wenqing (Chairman)

Mr JIAO Jian
(Redesignated from an Executive Director to a Non-executive Director and resigned as the CEO of the Company on 1 August 2018)

Mr ZHANG Shuqiang

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 42 to 46 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 2018, other than resolutions passed in writing by all the Directors, the Company held six regular Board meetings and one ad hoc Board meeting. The Company held one EGM on 8 March 2018 to approve the connected transaction in relation to the issue of new shares to connected persons under the Long Term Incentive Equity Plan. The AGM was held on 24 May 2018.

The attendance of each Director at the Board meetings, the EGM and the AGM during the year ended 31 December 2018 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a Board member.

	NUMBER OF MEETINGS ATTENDED		
DIRECTORS	BOARD MEETINGS	EGM	AGM
Executive Directors			
GAO Xiaoyu[1]	7/(7)	1/(1)	1/(1)
XU Jiqing	7/(7)	1/(1)	1/(1)
Non-executive Directors			
GUO Wenqing (Chairman)	4/(7)[3]	0/(1)	0/(1)
JIAO Jian[2]	7/(7)	0/(1)	1/(1)
ZHANG Shuqiang	5/(7)	0/(1)	0/(1)
Independent Non-executive Directors			
Peter CASSIDY	7/(7)	1/(1)	1/(1)
LEUNG Cheuk Yan	7/(7)	1/(1)	1/(1)
Jennifer SEABROOK	7/(7)	1/(1)	1/(1)
PEI Ker Wei	7/(7)	0/(1)	0/(1)

Notes:

1. Redesignated from a Non-executive Director to an Executive Director and appointed as the CEO of the Company on 1 August 2018.
2. Redesignated from an Executive Director to a Non-executive Director and resigned as the CEO of the Company on 1 August 2018.
3. Mr Guo attended four Board meetings, two of which were partial attendance.

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 Gao Xiaoyu. 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. During the year, the Chairman met with the Independent Non-executive Directors and Non-executive Directors.

CORPORATE GOVERNANCE REPORT CONTINUED

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 as at the date of this report are as follows:

Mr GAO Xiaoyu (CEO and Executive Director) (Redesignated from a Non-executive Director to an Executive Director and appointed as the CEO of the Company on 1 August 2018);

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

Mr Ross CARROLL (CFO);

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

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

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

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participation provides adequate checks and balances to safeguard the interests of Shareholders. The Board has four Independent Non-executive Directors and two of them have accounting or related financial management expertise. The Board confirms that the Company has received from each of the Independent Non-executive Directors a confirmation of independence for the year ended 31 December 2018 pursuant to Rule 3.13 of the Listing Rules and considers such Directors to be independent.

RE-ELECTION OF DIRECTORS

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

In accordance with the Company's articles of association, each Director appointed by the Board shall be subject to re-election by Shareholders at the next general meeting (in the case of filling a casual vacancy) or at the next AGM (in the case of an addition to the Board), and thereafter be subject to retirement by rotation at least once every three years at the AGM. Dr Cassidy, who was appointed by the Board on 31 December 2010 to fill a casual vacancy, is also subject to retirement from the Board by rotation at least once every three years at the AGM. Since Dr Cassidy has been appointed, he has been re-elected by the Shareholders at three AGMs of the Company. These AGMs were held in 2011, 2013 and 2016.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

All Directors have participated in continuous professional development by attending seminars and/or conferences and/or forums and/or in-house trainings to develop and refresh their knowledge and skills. In addition, attendance at briefing sessions (including the delivery of speeches) and the provision of reading materials on the relevant topics contributed toward continuous professional training. All Directors provided a record of training to the Company. A summary of training attended by the Directors for the year ended 31 December 2018 is set out below:

DIRECTORS	TYPES OF TRAINING (NOTE)
Executive Directors	
GAO Xiaoyu	1, 2, 3
XU Jiqing	1, 2, 3
Non-executive Directors	
GUO Wenqing	1, 2, 3
JIAO Jian	1, 2, 3
ZHANG Shuqiang	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 Jiao Jian and Mr Zhang Shuqiang. On 1 August 2018, Mr Gao Xiaoyu's position as a member of the Audit Committee was replaced by Mr Jiao Jian. Ms Seabrook is the Chair of the Audit Committee.

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

The Audit Committee is principally responsible for monitoring the relationship with the Company's external auditor, reviewing the financial information of the Company (including its treasury and tax functions) and the oversight of the Group's financial reporting system. The Audit Committee is also principally responsible for monitoring the relationship with the Company's internal auditor and financial risk management and financial internal control systems. The terms of reference of the Audit Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2018, the Audit Committee held four meetings. The Committee reviewed financial reporting matters, the Company's Financial Statements, annual and interim reports, the connected transactions and the continuing connected transactions entered into by the Group and the audit fees for the year ended 31 December 2018. It also reviewed the external audit scope and plans and audit findings, internal audit plans and audit findings, internal audit tender process, financial risk, treasury, capital management plans and tax matters, and the programs for Audit Committee activities for 2018 and 2019. The Committee discussed with senior management the independence of the external auditors and the effectiveness of the external and internal audit process.

The attendance of each member at the Audit Committee meetings for the year ended 31 December 2018 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Audit Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
Non-executive Directors	
GAO Xiaoyu[1]	2/(2)
JIAO Jian[2]	2/(2)
ZHANG Shuqiang	4/(4)
Independent Non-executive Directors	
LEUNG Cheuk Yan	4/(4)
Jennifer SEABROOK (Chair)	4/(4)
PEI Ker Wei	4/(4)

Notes:

1. Ceased as a member of the Audit Committee on 1 August 2018.
2. Appointed as a member of the Audit Committee on 1 August 2018.

CORPORATE GOVERNANCE REPORT CONTINUED

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 Jiao Jian and Mr Zhang Shuqiang. On 1 August 2018, Mr Gao Xiaoyu's position as a member of the Remuneration Committee was replaced by Mr Jiao Jian. 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 and Independent Non-executive Directors. The terms of reference of the Remuneration Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2018, the Remuneration Committee held five meetings. The Committee reviewed the terms of reference of the Remuneration Committee, the annual remuneration of Directors and senior management, the senior management market remuneration, the 2018 and 2019 long term incentive plans, the 2018 and 2019 short term incentive plans and the risk measures for the incentive plans. It also reviewed the CEO market remuneration and the remuneration for the CEO appointed during the year.

The attendance of each member at the Remuneration Committee meetings for the year ended 31 December 2018 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	
GAO Xiaoyu[1]	3/(3)
JIAO Jian[2]	2/(2)
ZHANG Shuqiang	4/(5)
Independent Non-executive Directors	
Peter CASSIDY (Chairman)	5/(5)
Jennifer SEABROOK	5/(5)
PEI Ker Wei	5/(5)

Notes:

1. Ceased as a member of the Remuneration Committee on 1 August 2018.
2. Appointed as a member of the Remuneration Committee on 1 August 2018.

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 Jiao Jian. On 1 August 2018, Mr Gao Xiaoyu's position as a member of the Governance and Nomination Committee was replaced by Mr Jiao Jian. Mr Leung is the Chairman of the Governance and Nomination Committee.

The Governance and Nomination Committee is principally responsible for developing and reviewing the Group's policies and practices on corporate governance, the Code of Conduct, monitoring the Group's compliance with the Listing Rules and other applicable laws, monitoring the training and continuous professional development of Directors and senior management, reviewing the terms of references of all the committees and reviewing and recommending to the Board for approval the Corporate Governance Report for inclusion in the Company's Annual Report. The 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 reviews the structure, size and composition of the Board and Board Committees (including knowledge, skills and experience, independence and diversity of the members) and makes recommendations to the Board with regard to any changes. It also reviews the succession plans for Directors and senior management. The terms of reference of the Governance and Nomination Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

During the year ended 31 December 2018, the Governance and Nomination Committee held five meetings. The Committee reviewed the Mineral Resources and Ore Reserves Committee Charter, Whistleblower Framework, the 2018 Disclosure Reports, the performance review and evaluation of the Board, the membership of the Board Committees, the Directors and senior management training program and the Corporate Governance Report for inclusion in the annual report, and the programs for Governance and Nomination Committee activities for 2018 and 2019. It also reviewed and recommended for approval by the Board the appointment of Mr Gao Xiaoyu as the CEO of the Company.

The attendance of each member at the Governance and Nomination Committee meetings for the year ended 31 December 2018 is set out below. Figures in brackets indicate the maximum number of meetings held in the period in which the individual was a member of the Governance and Nomination Committee.

MEMBERS	NUMBER OF MEETINGS ATTENDED
Non-executive Directors	
GAO Xiaoyu[1]	3/(3)
JIAO Jian[2]	2/(2)
Independent Non-executive Directors	
Peter CASSIDY	5/(5)
LEUNG Cheuk Yan (Chairman)	5/(5)

Notes:

1. Ceased as a member of the Governance and Nomination Committee on 1 August 2018.
2. Appointed as a member of the Governance and Nomination Committee on 1 August 2018.

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

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

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

RISK MANAGEMENT COMMITTEE

The Risk Management Committee currently comprises four members including three Independent Non-executive Directors, namely Dr Peter Cassidy, Mr Leung Cheuk Yan and Professor Pei Ker Wei and one Non-executive Director, Mr Jiao Jian. On 1 August 2018, Mr Gao Xiaoyu's position as a member of the Risk Management Committee was replaced by Mr Jiao Jian. Professor Pei is the Chairman of the Risk Management Committee.

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

During the year ended 31 December 2018, the Risk Management Committee held four meetings. The Committee reviewed the Risk Management Framework including the update on risk management standard and functional assurance review, incident and control failures, risk profile and material risk analyses. It also reviewed the internal audit program including its program status, internal audit findings, improvement themes and action close out update and 2019 Internal Audit Plan. The Committee also reviewed the risk associated with Group strategy, Insurance Program including the renewals of the annual insurance and the directors and officers insurance and the programs for Risk Management Committee activities for 2018 and 2019.

The attendance of each member at the Risk Management Committee meetings for the year ended 31 December 2018 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	
GAO Xiaoyu[1]	2/(2)
JIAO Jian[2]	2/(2)
Independent Non-executive Directors	
Peter CASSIDY	4/(4)
LEUNG Cheuk Yan	4/(4)
PEI Ker Wei (Chairman)	4/(4)

Notes:

1. Ceased as a member of the Risk Management Committee on 1 August 2018.
2. Appointed as a member of the Risk Management Committee on 1 August 2018.

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.

CORPORATE GOVERNANCE REPORT CONTINUED

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 2018 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 82 to 87 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 Risk Management Committee assists the Board with regard to the oversight of the Company's risk management and internal control systems and practices.

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

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

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

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

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

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

Information about the two Committees, including their work in 2018, is set out under the sections headed 'Risk Management Committee' on page 67 and 'Audit Committee' on page 65 of this Annual Report.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the external auditor, Deloitte Touche Tohmatsu (which for these purposes includes any entity under common control, ownership or management with the external auditor or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally), for the year ended 31 December 2018 is set out as follows:

SERVICES RENDERED	FEE PAID/ PAYABLE 2018 US$'000
Audit services	1,592.5
Other assurance services	126.9
Non-Audit Services	
Other tax services	141.5
Other non-audit services	173.6
	2,034.5

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 2018, which exceed the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Shareholders holding at least 5% of the total voting rights of all Shareholders having a right to vote at the Company's general meeting can deposit a written request to convene a general meeting at Unit 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary or send the written request to the Company by fax at +852 2840 0580.

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

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

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

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

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

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

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

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

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

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

The written request must be deposited at Unit 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary or sent to the Company by fax at +852 2840 0580 not later than six weeks before the AGM to which the request relates or if later, the time at which notice is given of that meeting.

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

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

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

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

If a Shareholder wishes to propose a person other than a Director for election as a Director at an AGM or a general meeting, he/she can deposit a written notice to that effect

CORPORATE GOVERNANCE REPORT CONTINUED

signed by the Shareholder concerned at Unit 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, the registered office of the Company, for the attention of the Company Secretary.

The written notice must:

– state the full name of the person proposed for election as a Director;

– state the person's biographical details as required by Rule 13.51(2) of the Listing Rules; and

– be accompanied by a confirmation signed by the candidate indicating his/her willingness to be appointed.

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

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

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

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary to the registered office of the Company at Unit 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

CORPORATE COMMUNICATIONS

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

– financial reports (interim and annual reports), quarterly production reports and sustainability reports;

– announcements, Shareholder circulars and other disclosures through the websites of the Hong Kong Stock Exchange, the ASX and the Company; and

– other corporate communications, presentations, publications and media releases of the Company.

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

INVESTOR RELATIONS

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

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

CORPORATE WEBSITE

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

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

– the articles of association of the Company;

– the terms of reference of the Audit Committee, Remuneration Committee, Governance and Nomination Committee and Risk Management Committee;

– a summary of the procedures for Shareholders to convene a general meeting, to put forward proposals at the AGM, and to propose a person for election as a Director;

- a news archive of stock exchange announcements and media releases; and
- an event calendar setting out important dates and forthcoming events of the Company.

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

SHAREHOLDER MEETINGS

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

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

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

KEY STAKEHOLDER RELATIONSHIPS

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

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

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

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

MMG has relationships with a range of customers globally for the sale of its products. The sales and marketing of all products is managed by a Group Sales and Marketing function that negotiates all terms and conditions at arm's length arrangements. All prices are referenced to LME or London Bullion Market Association market prices for the appropriate product sold. Further information is discussed in the Management Discussion and Analysis on pages 17 to 41 of this Annual Report.

Information on MMG's approach to environmental, social and governance issues will be reported in the 2018 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter 2019.

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.

CORPORATE GOVERNANCE REPORT CONTINUED

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 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.

ESG APPROACH AND PERFORMANCE

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

In 2018, MMG had four mining operations: Kinsevere, Las Bambas, Rosebery and Dugald River. On 30 November 2018, the Group completed the sale of MMG Laos Holdings Limited to Chifeng. MMG Laos Holding Limited owns the Group's 90% interest in LXML, which in turn owns the Sepon mine in Laos PDR. Economic risk and benefits of the Sepon mine are deemed to have passed to Chifeng from 31 December 2017, including any operating profits or losses (as the case may be) that accrued to MMG Laos and LXML since that date.

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

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

ESG REPORTING AND MATERIALITY

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

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

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 2018 MMG Sustainability Report available on the Company's website at www.mmg.com in the Second Quarter 2019.

CORPORATE GOVERNANCE

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

The Company is committed to upholding a high standard of corporate governance practices through a quality Board, sound internal controls, and transparency and accountability to all shareholders. We understand that good governance is not just a matter for the Board and it is equally the responsibility of executive management to embed governance practices throughout the organisation.

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

The MMG Sustainability Policy aligns with the ICMM's 10 sustainable development principles. The Company's approach is informed by our Corporate Governance Policy, People Policy, Shareholder Communication Policy, SHEC Policy, and Quality and Materials Stewardship Policy.

The Company applies business wide standards to define the minimum requirements to manage material risks, meet legal requirements and external reporting obligations, and to create and preserve competitive advantage and organisational effectiveness. Our assurance program focuses on verifying that the critical controls required to manage material risk events are implemented and effective. These standards provide the basis for sustainable operations and are aligned to the ICMM's Ten Principles of Sustainable Development and the eight ICMM Position Statements.

COMPLIANCE

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

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

BUSINESS ETHICS

The Company's values and Code of Conduct set out our commitment to operating in a responsible manner. We expect all our employees, contractors and suppliers to integrate these standards of behaviour into their working practices. The Company Code of Conduct covers areas such as conflict of interest, fraud, anti-corruption and legal compliance and its application is overseen by our Code of Conduct Committee, chaired by the Chief Financial Officer. MMG has a Whistleblower Framework which forms part of the Corporate Legal Compliance Standard and also has an

ESG APPROACH AND PERFORMANCE CONTINUED

Anti-Corruption Standard. MMG engages an independent confidential whistleblower service which is available to all employees globally in their local language.

In 2018, 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 one Standard governing people and benefits matters globally; the People Standard. This Standard is supported with detailed Work Quality Requirements, systems and processes to ensure global standards and local requirements are met. These include policies related to compensation and dismissal, working hours, recruitment and promotion.

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

The Company provides its people with the opportunity to develop their skills, expertise and experience to optimise their contribution to our business and to develop their careers. The Company has two broad streams of vocational training – operational training and competency verification to drive safety, efficiencies and manage material business risks.

In addition, the Company enables employees' professional development to enhance leadership capabilities and support career pathways. The Company undertakes extensive workforce and community engagement on, and offers support to, individuals affected by any business decisions to downsize or close operations.

The Company aims to provide safe workplaces that are free of discrimination and harassment, and that foster diversity and inclusion. The Company also has a global Diversity and Inclusion Model led by the Executive Committee. The committee sets corporate targets, and, in turn, Executives sponsor regional Diversity and Inclusion Committees where local employees determine and action more initiatives that are specific to the region. MMG's approach to inclusion and diversity supports our comparative advantage in attracting and retaining talent, in addition to delivering business benefits associated with greater levels of collaboration.

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

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

In 2018, there were no confirmed non-compliance incidents or grievances in relation to labour practices that have had a significant impact on the Group.

COMMUNITY ENGAGEMENT

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

In 2018, there were no confirmed non-compliance incidents or grievances in relation to human rights that have had a significant impact on the Group.

SUPPLY CHAIN

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

As part of our supplier engagement process we seek formal agreement from suppliers to comply with our Code of Conduct and Anti-Corruption Framework as well as all relevant Company Standards, policies and procedures, including the Supply, Fatal Risk Management, Safe Task Management, Social Performance and Environment Standards. In 2018, with approximately 60 of our key suppliers, we regularly reviewed and reported on agreed contract performance measures, as well as identifying and actioning improvement opportunities.

In 2018, there were no confirmed non-compliance incidents or grievances in relation to supply chain management that have had a significant impact on the Group.

PRODUCT STEWARDSHIP

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

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

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

In 2018, the Group was not aware of any significant incidents of non-compliance with regulations and voluntary codes concerning the provision and use of the Group's products and services that have had a significant impact on the Group.

HEALTH AND SAFETY

MMG's first value is safety and we continually strive to eliminate fatalities, incidents and injuries at our workplaces. The Company's standards and procedures collectively define the way work should be planned, assigned and executed to achieve safe outcomes. These standards include Fatal Risk, 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 (SSHEC Reporting Standard). Our Total Recordable Injury Frequency (TRIF) was 1.00 per million hours worked in 2018, representing a 14.5% reduction on the 2017 TRIF reported.

Despite the Company's commitment to a safety-first culture and to ensuring that supporting behaviours and processes are in place across every area of our operations, we sadly report that we had one fatality in 2018 at our Sepon mine in Laos. An MMG employee sustained fatal injuries following an incident which occurred when the vehicle he was driving was struck by a tree during tree felling activities.

In 2018, MMG received no significant safety related fines or non-monetary sanctions. MMG received four minor safety related fines at Las Bambas, all of which relate to safety incidents that occurred in 2013, 2016 and 2017.

ENVIRONMENT

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

The Company's approach to environmental management is based on the principle of continuous improvement and is aligned to 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 internally audited as part of an integrated assurance process.

We acknowledge human induced climate change and its impacts on the environment, the economy and communities. We are committed to being part of the global solution including through taking actions to reduce emissions and the provision of minerals and metals required in a low carbon future.

Given that MMG does not currently mine energy materials, and the extent to which our operational energy requirements are met through either hydroelectricity or gas fired power, stakeholders have not identified greenhouse gas abatement as a material issue for our business. Our focus on energy efficiency, while driven predominantly by the economic benefits of reduced power requirements in mining and comminution, delivers a secondary benefit of greenhouse gas emission reduction. In addition to this,

ESG APPROACH AND PERFORMANCE CONTINUED

MMG has commitments at its Kinsevere and Las Bambas operations to support extensive reafforestation of our neighbouring lands, which in turn delivers a carbon abatement outcome.

In 2018, there were no fines or penalties related to environmental management that have had a significant impact on the Group.

Minor seepage was identified in the vicinity of Rosebery's operational tailings storage facility (TSF), with subsequent investigations indicating the tailings storage facility is performing normally. The water identified is understood to be naturally occurring groundwater, impacted by historical fill materials. MMG has installed a stormwater sump to intercept these waters and direct them to the effluent treatment plant on site. The sump is subject to twice daily monitoring to ensure it is working as intended. This action has already made an improvement to the water quality in the Stitt River. MMG is also undertaking detailed hydrogeological investigations to determine if any further mitigation works are required. MMG is working with local stakeholders, including the state government, the Environmental Protection Authority (EPA) and the local community, to keep them up to date on our management actions.

Seepage downstream of the Dugald River tailings dam was identified and a sampling program was established to determine correlation between water quality of the seepage collection pond and the TSF. Results showed differences between the two across a few parameters. To manage potential impacts a permanent dewatering pump was established to pump water back to the TSF to reduce surface water release on a regular basis. The regulator and nearby pastoralists were notified of the event.

While draining the zinc concentrate thickener at Dugald River, the spillway between the thickener bund and flotation bund overflowed, resulting in zinc concentrate and process water spillage into the immediate area. Clean-up activities were completed to remove the concentrate. MMG advised the Queensland Government's Department of Environment and Science of the event and assisted them during their visit to the area.

In 2018 Dugald River received and paid a minor penalty infringement notice for the pipeline slurry spill that occurred during testing of the commissioning of the tailings pipeline in September 2017.

After additional community and stakeholder engagement, Las Bambas received government approval for its Environment and Social Impact Assessment (ESIA) during 2018. This was to cover some development activities, existing practices and activities undertaken as part of operational ramp up including extension and associated bush clearance to existing black shale and non-acid forming (NAF) waste rock dumps, changes to topsoil stockpile locations, and construction of a new truck maintenance workshop.

The Trigger Action Response Plan (TARP) was initiated at MMG's Kinsevere operation after non-compliant water was found to have discharged for a period of seven days. The Total Suspended Solids (TSS) exceedance, higher than DRC limits, was investigated and attributed to traffic management activities within Kinsevere's Mashi Pit. Improvement actions were identified, which included establishing a culvert and drainage system within the pit and reviewing management strategies.

At MMG's discontinued Sepon operation[12], sulphate concentration exceeded the Lao PDR Ambient Water Guideline. No material impact on the Nambok River was detected. Management strategies were put in place to continue to monitor and correct future instances of non-compliance.

Information and data relating to the type and total air and greenhouse gas emissions, hazardous and non-hazardous waste produced, direct and indirect energy consumption and water consumption are listed in the 2018 Environmental Data section below and are managed in accordance with the Environmental Standard and core principles of ISO14001.

2018 ENVIRONMENTAL DATA

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

The economic risks and benefits of Sepon were deemed to have passed from 31 December 2017. However, as MMG continued to manage Sepon for and on behalf of Chifeng until completion of the sale on 30 November 2018, data for Sepon has been reported from 1 January 2018 until 30 November 2018 for the purposes of this report.

12. The economic risks and benefits of Sepon were deemed to have passed from 31 December 2017. However, as MMG continued to manage Sepon for and on behalf of Chifeng until completion of the sale on 30 November 2018, data for Sepon has been reported from 1 January 2018 until 30 November 2018 for the purposes of this report.

TABLE 1: TOTAL ENERGY CONSUMPTION (GJ)

SITE	2018	2017
Dugald River	740,423	409,805
Rosebery	691,248	728,323
Sepon	2,138,046 (1 January to 30 November)	2,142,512
Las Bambas	9,081,012	9,345,014
Kinsevere	1,731,361	1,549,138
MMG Total	**14,382,040**	**14,189,792**

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

TABLE 2: ENERGY CONSUMPTION (GJ/TONNES MILLED)

SITE	2018	2017
Dugald River	0.42	2.1
Kinsevere	0.72	0.68
Rosebery	0.67	0.75
Sepon	0.79 (1 January to 30 November)	0.68
Las Bambas	0.18	0.18
MMG Total	**0.25**	**0.24**

TABLE 3: DIRECT AND INDIRECT ENERGY CONSUMPTION (GJ)

SITE AND YEAR	DIRECT ENERGY CONSUMPTION	INDIRECT ENERGY CONSUMPTION
Dugald River		
2017	284,241	140,675
2018	168,945	571,478
Kinsevere		
2017	798,777	750,361
2018	1,052,692	678,669
Las Bambas		
2017	5,003,735	4,341,279
2018	5,202,059	3,878,953
Rosebery		
2017	256,924	471,399
2018	216,407	474,481
Sepon		
2017	1,092,674	1,049,759
2018	1,101,951	1,036,094 (1 January to 30 November)
MMG Total		
2017	**7,439,636**	**6,754,194**
2018	**7,754,535**	**6,640,035**

ESG APPROACH AND PERFORMANCE CONTINUED

TABLE 4: TOTAL GREENHOUSE GAS EMISSIONS (TONNES CO_2-E)

SITE AND YEAR	DIRECT GHG EMISSIONS	INDIRECT GHG EMISSIONS	TOTAL
Dugald River			
2017	16,261	30,870	**47,132**
2018	11,207	125,408	**136,615**
Kinsevere			
2017	50,869	601	**51,470**
2018	62,464	154	**62,619**
Las Bambas			
2017	346,469	304,710	**651,179**
2018	360,109	271,656	**631,765**
Rosebery			
2017	17,500	17,033	**34,533**
2018	14,603	18,466	**33,069**
Sepon			
2017	180,156	161,021	**341,177**
2018	162,862	161,026	**323,889 (1 January to 30 November)**
MMG Total			
2017	611,255	514,235	**1,125,491**
2018	**611,245**	**576,710**	**1,187,957**

TABLE 5: GREENHOUSE GAS (GHG) EMISSIONS (TONNES CO_2-E/'000 TONNES MILLED)

SITE	2018	2017
Dugald River	78	238
Kinsevere	26	22.6
Rosebery	32	34.3
Sepon	120 (1 January to 30 November)	108
Las Bambas	13	12.6
MMG Total	**21**	**19.4**

TABLE 6: AIR EMISSIONS (TONNES)[13]

	2018	2017
Oxides of Nitrogen (NOx)		
Dugald River	13	28
Kinsevere	2,075	2,745
Las Bambas	18,232	15,483
Rosebery	101	113
Sepon	NA	733
MMG Total	**20,421**	**19,102**
Oxides of Sulphur (SOx)		
Dugald River	0	0
Kinsevere	2	2
Las Bambas	7	5
Rosebery	0	0
Sepon	NA	50
MMG Total	**9**	**57**
Particulate Matter (PM10)		
Dugald River	227	163
Kinsevere	208	373
Las Bambas	4,372	3,450
Rosebery	251	260
Sepon	NA	137
MMG Total	**5,058**	**4,383**
Volatile Organic Compounds (VOCs)		
Dugald River	2	4
Kinsevere	157	280
Las Bambas	603	490
Rosebery	8	9
Sepon	NA	67
MMG Total	**770**	**850**

TABLE 7: TOTAL HAZARDOUS WASTE (TONNES)

SITE	2018	2017
Dugald River	288	703
Kinsevere	66	45
Rosebery	473	514
Sepon	259 (1 January to 30 November)	259
Las Bambas	2,893	1,370
MMG Total	**3,979**	**2,891**

13. Air emission data is collected on an annual basis and after the reporting period (rather than during). The air emissions data for Sepon has been excluded from this report as MMG sold Sepon to Chifeng during the reporting period and MMG no longer has access to reliably provide information for the 2018 year.

ESG APPROACH AND PERFORMANCE CONTINUED

TABLE 8: HAZARDOUS WASTE PRODUCED (TONNES/'000 TONNES MILLED)

SITE	2018	2017
Dugald River	0.164	3.55
Kinsevere	0.0276	0.0196
Rosebery	0.460	0.530
Sepon	0.0964 (1 January to 30 November)	0.0823
Las Bambas	0.0585	0.0266
MMG Total	**0.0694**	**0.0498**

TABLE 9: TOTAL NON-HAZARDOUS WASTE (TONNES)

SITE	2018	2017
Dugald River	3,397	5,012
Kinsevere	555	42
Rosebery	2,298	1,809
Sepon	973 (1 January to 30 November)	833
Las Bambas	10,751	6,310
MMG Total	**17,974**	**14,006**

TABLE 10: NON-HAZARDOUS WASTE PRODUCED (TONNES/'000 TONNES MILLED)

SITE	2018	2017
Dugald River	1.93	0.0253
Kinsevere	0.230	0.0186
Rosebery	2.23	1.87
Sepon	0.362 (1 January to 30 November)	0.265
Las Bambas	0.217	0.123
MMG Total	**0.314**	**0.241**

TABLE 11: TOTAL WATER CONSUMPTION (ML)

SITE	2018	2017
Dugald River	777	1,012
Kinsevere	1,990	2,631
Rosebery	545	481
Sepon	3,990 (1 January to 30 November)	5,276
Las Bambas	15,597	16,984
MMG Total	**22,899**	**26,384**

TABLE 12: TOTAL WATER CONSUMPTION (ML/'000 TONNES MILLED)

SITE	2018	2017
Dugald River	0.44	5.11
Kinsevere	0.83	1.16
Rosebery	0.53	0.454
Sepon	1.48 (1 January to 30 November)	1.68
Las Bambas	0.32	0.330
MMG Total	**0.40**	**0.460**

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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 89 to 169, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, 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 2018, 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

TO THE MEMBERS OF MMG LIMITED

(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 amount of each cash generating unit ("CGU") involves complex and subjective management estimates based on management's judgement of key variables and market conditions such as discount rates, exchange rates, commodity prices, exploration potential, future capital requirements and future operating performance. As at 31 December 2018 the Group has property, plant and equipment of US$10,897.7 million and goodwill of US$528.5 million, accounting for approximately 82% and 4% of the Group's total assets as at 31 December 2018 respectively, contained within its CGUs as disclosed in notes 2.7, 4.1(c), 14 and 15 to the consolidated financial statements. No additional impairment or reversal of 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:
	– Testing key controls over the valuation of the Group's non-financial assets and goodwill, including those to determine asset impairments or reversals;
	– Working with valuation specialists to:
	  – Evaluate the appropriateness of the model used by management to calculate the fair value less cost of disposal of the individual CGUs;
	  – Assess and challenge the reasonableness of the key assumptions such as forecast commodity prices, discount rates, country specific risk rates and foreign exchange rates used including agreeing them to external market data; and
	  – Challenge management's 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;
	– Evaluating the competence and objectivity of management's experts who assisted in the valuation, including those who prepared the resource and reserve estimates;
	– Evaluating comparable market transactions that supported exploration upside potential valuation included on certain CGUs; and
	– Assessing the appropriateness of the related disclosures included in note 14 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF MMG LIMITED

(incorporated in Hong Kong with limited liability)

KEY AUDIT MATTERS – CONTINUED

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(a) to the consolidated financial statements, notwithstanding the fact that the Group expects to continue to generate positive operating cash flows for the 12 months following the approval of the annual financial statements, with benefit of recent and forecast improvements in commodity prices, the Group's ability to transfer cash generated in certain regions to the rest of the Group is subject to satisfying certain conditions and the Group has debts with an aggregate principal amount of US$691.4 million maturing within the next 12 months which will need to be refinanced or repaid and replaced. As set out in notes 2.1(a) and 31.1(e), the Group 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: – Testing key controls over the cash flow forecasts performed and associated disclosures – 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 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(a) to the consolidated financial statements.

TO THE MEMBERS OF MMG LIMITED

(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 light of the number of jurisdictions in which the Group operates, including judgment concerning residency of key operations and holding companies, provisioning for tax exposures, application of transfer pricing rules, the recognition of deferred income tax assets and the taxation impacts of any corporate restructurings. This gives rise to complexity and uncertainty in respect of the calculation of income taxes and deferred tax assets and consideration of contingent liabilities associated with tax years open to audit. As at 31 December 2018, the Group operates across a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing, indirect taxes, change of taxation laws, and transaction related tax matters as disclosed in notes 4.2(c), 10, 19 and 20 to the consolidated financial statements.	– Our procedures in relation to the accounting for income taxes and other taxes included: – Testing key controls relating to the accounting for and the disclosure of tax related transactions and matters; – Working with tax specialists in Australia, Peru and Democratic of Congo to evaluate the Group's tax obligations, review tax computations of the Group, obtain an understanding of the current status of tax assessments and investigations and to monitor developments in ongoing tax disputes, if any; – Challenging management's process for identifying uncertain tax, provisioning for tax exposures and determining the recoverability of capitalised unused tax losses and tax receivables; – Reading recent rulings, correspondence with local tax authorities and the advices from management's external tax advisors, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest external developments; and – Assessing the appropriateness of the related disclosures included in notes 9, 19 and 20 to the consolidated financial statements.

OTHER INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF MMG LIMITED

(incorporated in Hong Kong with limited liability)

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.

TO THE MEMBERS OF MMG LIMITED

(incorporated in Hong Kong with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

6 March 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	YEAR ENDED 31 DECEMBER 2018 US$ MILLION	YEAR ENDED 31 DECEMBER 2017[1] US$ MILLION
Continuing operations			
Revenue	5	3,670.2	3,751.3
Gain on disposal of subsidiaries	6	-	178.6
Other income/(loss)	7	20.6	(35.0)
Expenses (excluding depreciation and amortisation)	8	(1,939.6)	(1,804.1)
Earnings before interest, income tax, depreciation and amortisation – EBITDA		**1,751.2**	**2,090.8**
Depreciation and amortisation expenses	8	(918.1)	(818.6)
Earnings before interest and income tax – EBIT		**833.1**	**1,272.2**
Finance income	9	6.8	6.0
Finance costs	9	(533.7)	(537.6)
Profit before income tax		**306.2**	**740.6**
Income tax expense	10	(169.6)	(394.5)
Profit for the year from continuing operations		**136.6**	**346.1**
Profit for the year from discontinued operation	6	**0.8**	**2.3**
Profit for the year		**137.4**	**348.4**
Profit/(loss) for the year attributable to:			
Equity holders of the Company		**68.3**	**147.1**
– From continuing operations		64.8	144.0
– From discontinued operation	6	3.5	3.1
Non-controlling interests		**69.1**	**201.3**
– From continuing operations		71.8	202.1
– From discontinued operation	6	(2.7)	(0.8)
		137.4	**348.4**
Earnings per share for profit attributable to equity holders of the Company			
Basic earnings per share	11	**US 0.85 cents**	**US 1.85 cents**
– From continuing operations		US 0.81 cents	US 1.81 cents
– From discontinued operation		US 0.04 cents	US 0.04 cents
Diluted earnings per share	11	**US 0.84 cents**	**US 1.81 cents**
– From continuing operations		US 0.80 cents	US 1.77 cents
– From discontinued operation		US 0.04 cents	US 0.04 cents

1. The comparative consolidated statement of profit or loss for the year ended 31 December 2017 has been re-presented to show the discontinued operation separately.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEAR ENDED 31 DECEMBER	
	2018 US$ MILLION	2017[1] US$ MILLION
Profit for the year	137.4	348.4
Other comprehensive income from continuing operations		
Item that may subsequently be reclassified to profit or loss		
Change in fair value of hedging instruments in cash flow hedges	-	4.3
Other comprehensive income for the year, net of tax	**-**	**4.3**
Total comprehensive income for the year	**137.4**	**352.7**
Total comprehensive income for the year attributable to:		
Equity holders of the Company	**68.3**	**151.4**
– From continuing operations	64.8	148.3
– From discontinued operation	3.5	3.1
Non-controlling interests	**69.1**	**201.3**
– From continuing operations	71.8	202.1
– From discontinued operation	(2.7)	(0.8)
	137.4	**352.7**

1. The comparative consolidated statement of profit or loss for the year ended 31 December 2017 have been re-presented to show the discontinued operation separately.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	AS AT 31 DECEMBER 2018 US$ MILLION	AS AT 31 DECEMBER 2017 US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment	14	10,897.7	11,982.1
Intangible assets	15	596.0	622.3
Inventories	18	75.8	51.9
Deferred income tax assets	19	178.1	200.5
Other receivables	20	231.7	218.9
Other financial assets	21	3.3	17.8
Total non-current assets		**11,982.6**	**13,093.5**
Current assets			
Inventories	18	203.9	296.1
Trade and other receivables	20	412.7	287.7
Loan to a related party	30	-	120.0
Current income tax assets		54.3	55.7
Derivative financial assets		-	0.5
Cash and cash equivalents	22	601.9	936.1
Total current assets		**1,272.8**	**1,696.1**
Total assets		**13,255.4**	**14,789.6**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	2,910.8	2,874.1
Reserves and retained profits	24	(1,653.7)	(1,662.7)
		1,257.1	1,211.4
Non-controlling interests	17	1,639.2	1,760.4
Total equity		**2,896.3**	**2,971.8**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	NOTES	AS AT 31 DECEMBER 2018 US$ MILLION	2017 US$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings	25	7,446.4	8,498.2
Provisions	26	416.8	793.8
Other financial liabilities	27	136.6	160.3
Deferred income tax liabilities	19	933.4	863.0
Total non-current liabilities		**8,933.2**	**10,315.3**
Current liabilities			
Borrowings	25	685.0	694.3
Provisions	26	214.0	62.9
Trade and other payables	28	508.1	730.1
Current income tax liabilities		18.8	15.2
Total current liabilities		**1,425.9**	**1,502.5**
Total liabilities		**10,359.1**	**11,817.8**
Net current (liabilities)/assets		**(153.1)**	**193.6**
Total equity and liabilities		**13,255.4**	**14,789.6**

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

GAO XIAOYU
CEO AND EXECUTIVE DIRECTOR

XU JIQING
EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	SHARE CAPITAL (NOTE 23)	TOTAL RESERVES (NOTE 24)	RETAINED PROFITS (NOTE 24)	TOTAL	NON-CONTROLLING INTERESTS (NOTE 17)	TOTAL EQUITY
At 1 January 2018	**2,874.1**	**(1,892.4)**	**229.7**	**1,211.4**	**1,760.4**	**2,971.8**
HKFRS 9 adjustment on retained profits (Note 3)	-	-	(28.0)	**(28.0)**	(0.8)	**(28.8)**
Restated balance at 1 January 2018	**2,874.1**	**(1,892.4)**	**201.7**	**1,183.4**	**1,759.6**	**2,943.0**
Profit for the year	-	-	68.3	**68.3**	69.1	**137.4**
Total comprehensive income for the year	**-**	**-**	**68.3**	**68.3**	**69.1**	**137.4**
Provision of surplus reserve	-	19.3	(19.3)	**-**	-	**-**
Redemption of convertible redeemable preference shares (Note 25)	-	-	-	**-**	(142.0)	**(142.0)**
Disposal of a subsidiary	-	-	(7.7)	**(7.7)**	(20.3)	**(28.0)**
Dividends paid to non-controlling interests (Note 6.1)	-	-	-	**-**	(27.2)	**(27.2)**
Employee share options/ performance awards exercised and vested	36.7	(27.5)	-	**9.2**	-	**9.2**
Employee share options lapsed	-	(1.3)	1.3	**-**	-	**-**
Employee long-term incentives	-	3.9	-	**3.9**	-	**3.9**
Total transactions with owners	**36.7**	**(5.6)**	**(25.7)**	**5.4**	**(189.5)**	**(184.1)**
At 31 December 2018	**2,910.8**	**(1,898.0)**	**244.3**	**1,257.1**	**1,639.2**	**2,896.3**
At 1 January 2017	**2,863.3**	**(1,913.9)**	**81.1**	**1,030.5**	**1,559.1**	**2,589.6**
Profit for the year	-	-	147.1	**147.1**	201.3	**348.4**
Other comprehensive income	-	4.3	-	**4.3**	-	**4.3**
Total comprehensive income for the year	**-**	**4.3**	**147.1**	**151.4**	**201.3**	**352.7**
Employee share options exercised and vested	10.8	(2.2)	-	**8.6**	-	**8.6**
Employee share options lapsed	-	(1.5)	1.5	**-**	-	**-**
Employee long-term incentives	-	20.9	-	**20.9**	-	**20.9**
Total transactions with owners	**10.8**	**17.2**	**1.5**	**29.5**	**-**	**29.5**
At 31 December 2017	**2,874.1**	**(1,892.4)**	**229.7**	**1,211.4**	**1,760.4**	**2,971.8**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	YEAR ENDED 31 DECEMBER 2018 US$ MILLION	2017 US$ MILLION
Cash flows from operating activities			
Receipts from customers		4,262.1	4,820.5
Payments to suppliers and employees		(2,392.9)	(2,318.3)
Payments for exploration expenditure		(47.5)	(45.6)
Income tax paid		(90.2)	(86.8)
Net cash generated from operating activities	29	**1,731.5**	**2,369.8**
Cash flows from investing activities			
Purchase of property, plant and equipment	29	(332.1)	(666.9)
Purchase of intangible assets	15	(5.4)	(38.4)
Purchase of financial assets		-	(0.7)
Payment of loan to a related party	30	-	(120.0)
Proceeds from repayments of loan to a related party	30	120.0	95.0
Proceeds from disposal of subsidiaries, net	6	113.9	226.5
Payments of support package associated with disposal of Century mine	6	(8.9)	(18.1)
Proceeds from disposal of financial assets		3.2	0.2
Proceeds from disposal of property, plant and equipment		4.4	-
Net cash used in investing activities		**(104.9)**	**(522.4)**
Cash flows from financing activities			
Proceeds from borrowings	25	370.0	140.0
Repayments of borrowings	25	(1,228.8)	(1,212.0)
Payments on redemption of convertible redeemable preference shares	17, 25	(338.0)	-
Proceeds from shares issued upon exercise of employee share options		9.2	8.6
Dividends paid to non-controlling interests	6	(27.2)	-
Interest and financing costs paid		(759.6)	(409.1)
Interest received		13.6	8.5
Net cash used in financing activities		**(1,960.8)**	**(1,464.0)**
Net (decrease)/increase in cash and cash equivalents		**(334.2)**	**383.4**
Cash and cash equivalents at 1 January		936.1	552.7
Cash and cash equivalents at 31 December	22	**601.9**	**936.1**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

MMG Limited (the "Company") is a limited liability company and was incorporated in Hong Kong on 29 July 1988. The address of its registered office is Units 8506A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The principal place of business of the Company is disclosed in the Corporate Information section to the Group's 2018 Annual Report.

The Company is an investment holding company and is listed on the main board of The Stock Exchange of Hong Kong Limited (HKEx) and on the ASX. ASX is a secondary listing and the Company's primary listing remains with the HKEx.

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

The consolidated financial statements for the year ended 31 December 2018 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 6 March 2019.

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 in Note 3.

2.1 BASIS OF PREPARATION

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

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

(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 2018, the Group generated a net profit of US$136.6 million (2017: US$346.1 million) from its continuing operations. As at 31 December 2018, the Group had a net current asset deficit of US$153.1 million (2017: net current asset surplus of US$193.6 million) and generated operating cashflows of US$1,731.5 million (2017: US$2,369.8 million). Cash flow forecasts for the 12 months from the approval of the consolidated financial statements indicates that the Group will have sufficient liquidity to meet its operational, existing contractual debt service and capital expenditure requirements for the 12 month period from the approval of the consolidated financial statements. The ability to transfer cash generated within the MMG South America Management Company Limited and its subsidiaries ("Las Bambas Joint Venture Group") to the rest of the Group is subject to satisfying certain conditions.

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

– As at 31 December 2018, total cash and cash equivalents of US$601.9 million were held by the Group (including Las Bambas);
– The strong ongoing support of the Group's major shareholder, CMC. This has been demonstrated by an agreement entered into with Top Create Resources Limited (a subsidiary of CMC) in December 2018, whereby the term of an existing US$100 million working capital facility was extended by 12 months to a revised maturity date of 4 January 2020;
– The strong ongoing support of the Group's financiers, as demonstrated by the release in October 2018 of Parent Company Guarantees that had supported the Las Bambas Project Facility and a US$380.0 million bank guarantee facility that was provided to Minera Las Bambas S.A. by ICBC. These relationships are supported and enhanced by CMC's own relationships with the Group's external financiers;
– The Group is currently in discussions with financiers for a new revolving debt facility for Minera Las Bambas S.A.. The facility will be available for general corporate and working capital purposes. This facility will replace an undrawn existing revolving credit facility that is provided by Bank of China Limited (Sydney branch), and that is to mature in March 2019; and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

– In the event that cash flow forecasts are not met or that existing or new debt facilities are insufficient or not obtained on time, 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 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) Adoption of new standards and amendments to HKFRSs for the first time in 2018

HKFRS 15	Revenue from contracts with customers and related amendments
HKFRS 9	Financial instruments

The impacts of the adoption of the above standards and the consequent new accounting policies have been disclosed in Notes 2 and 3.

(c) Amendments to existing standards effective and adopted in 2018 but not relevant or significant to the Group

Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRS	Annual improvements to HKFRS 2014-2016 cycle and other amendments

(d) New standards and amendments to standards that have been issued but not yet effective or early adopted by the Group

HKFRS 16	Leases[a]
HKFRS 17	Insurance Contracts[c]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[e]
Amendments to HKFRS 9	Prepayment features with negative compensation[a]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[a]
Amendments to HKFRS	Annual improvements to HKFRSs 2015–2017 cycle[a]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[a]
HK(IFRIC) - Int 23	Uncertainty over income tax treatments[a]
Amendments to HKAS 1 and HKAS 8	Definition of Material[b]
Amendments to HKFRS 3	Definition of a Business[d]

Effective for the Group for annual period beginning on:

(a) 1 January 2019

(b) 1 January 2020

(c) 1 January 2021

(d) business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

(e) to be determined

Impact of new standards and amendments to standards that have been issued but not yet effective

HKFRS 16 "*Leases*"

HKFRS 16 was issued in January 2016 and it replaces HKAS 17 Leases, HK(IFRIC) – Interpretation 4 "Determining whether an Arrangement contains a Lease", HK (SIC) – Interpretation 15 "Operating Leases – Incentives" and HK (SIC) – Interpretation 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under HKAS 17. HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019 and the Group has not elected to early adopt it. HKFRS 16 requires more extensive disclosures than under HKAS 17.

The Group's operating lease commitments as at 31 December 2018 are disclosed in Note 34. The Group has assessed the operating leases, as well as reviewed other significant contracts for any identified right-of-use asset and lease liability for which the Group may have under HKFRS 16. Based on such assessment, the Group expects that the application of new requirements will result in changes in measurement, presentation and disclosures. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information. The Group also intends to elect the exemptions allowed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Expected impact on the consolidated statement of financial position as at 1 January 2019 is as follows:

	US$ MILLION
Assets	147
Liabilities	(171)
Equity	**(24)**

HK(IFRIC) – Int 23 "*Uncertainty over income tax treatments*"

HK(IFRIC) – Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept the company's chosen tax treatment used, or proposed to be used, in its income tax filings.

HK(IFRIC) - Int 23 serves as further guidance on an HKAS 12 – Income Taxes. It clarifies that in assessing whether a provision is required, management should assess the probability of the claim assuming that the tax authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date. Since the Group operates in a complex multinational tax environment, applying this interpretation may affect its consolidated financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply this interpretation on a timely basis.

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

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 acquire 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 or other comprehensive income, as appropriate.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(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 are consistent with the policies adopted by the Group.

(c) Transactions with non-controlling interests

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are account for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

(d) Separate financial statements

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

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 also 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.

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 or unit of production (tonnes mined) as applicable;
- Buildings – straight line over the useful life of the asset as applicable;
- Plant and machinery – Unit of production (tonnes mined and milled) or straight line over the useful life of the asset as applicable;
- Mine property and development assets – Units-of-production (tonnes mined or tonnes milled) or straight line over the useful life of the asset as applicable;
- Exploration and evaluation assets – Not depreciated; and
- Construction in progress – Not depreciated.

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

The units-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.

(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 that relate to an area of interest acquired as part of an asset acquisition or business combination are capitalised and the exploration and evaluation asset is 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. Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

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

(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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 of ore body. 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

(a) 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 CGUs, or groups of CGUs, that is expected to benefit from the synergies of the acquisition. 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.

(b) Software development

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

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

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

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

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

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

Any impairment loss related to goodwill is recognised immediately as an expense and is not subsequently reversed. Any impairment loss related to non-financial assets other than goodwill is reviewed and may be reversed at subsequent reporting dates. A reversal of previously recognised 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

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

– financial assets measured at amortised cost, or
– financial assets measured at fair value.

Gains or losses of assets measured at fair value will be recognised either through profit or loss (FVTPL) or through other comprehensive income (FVOCI). For financial assets measured at FVOCI, impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these financial assets.

(a) Amortised cost

A financial asset shall be measured at amortised cost if it is held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset shall be measured at fair value through other comprehensive income if it is held within a business model objective of which is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Financial assets at fair value through profit or loss (FVTPL)

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Recognition and measurements

Regular purchases and sales of financial assets are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Financial assets at amortised cost are measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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. The net gain or loss recognised in profit or loss arising from changes in the fair value of the financial assets at fair value through profit or loss excludes any dividend income. 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, the Group is probable to obtain the economic benefits associated with it and the amount can be measured reliably.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Impairment of financial assets

The Group applies a simplified approach to measure expected credit loss (ECL) on other receivables which are classified as financial assets at amortised cost. Under the simplified approach, the Group measures the loss allowance based on lifetime ECL. The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Typically, credit risk increases significantly before a financial instrument becomes past due or other lagging debtor-specific factors are observed. Consequently when reasonable and supportable information that is more forward-looking than past due information is available without undue cost or effort, it is used to assess changes in credit risk. The Group considers credit risks including, but not limited to, instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, and geographical location of the debtor.

The Group assesses at the end of each reporting period whether there has been a significant increase in credit risk of the receivables since initial recognition. A financial asset or a group of financial assets is impaired and impairment losses are incurred if credit losses are recognised based on significant increases in the likelihood or risk of a default occurring since the initial recognition of the asset. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive, discounted to the reporting date using the effective interest rate determined at initial recognition.

2.10 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.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected loss is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

2.11 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 based on 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.

2.12 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, trade and other receivables are classified as current assets. If not, they are presented as non-current assets.

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 (quotation period). In case of such provisional pricing arrangements, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices. Related trade receivable balances are recognised at fair value through profit and loss. Refer to Note 2.20 for details.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 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.

(a) Financial liabilities

Financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

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.

(b) Equity and compound instruments

Equity instruments (including ordinary shares and convertible redeemable preference shares) are any contract that 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. 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.

The liability component of a compound financial instrument such as convertible redeemable preference shares 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.

2.15 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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.

2.16 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.

2.17 CURRENT AND DEFERRED INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or subsequently enacted at the reporting date in the jurisdictions or where a stability agreement is applicable 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 on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 or where a stability agreement is applicable 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 and agreement with tax authorities to settle the balances on a net basis.

Tax consolidation – Australia

The majority of 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.

2.18 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. If not, they are presented as non-current liabilities.

2.19 EMPLOYEE BENEFITS

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they are accrued by employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations – defined contribution plans

Arrangements for staff retirement benefits are made in accordance with local regulations and customs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

(c) Long-term employee benefits

Long service leave is a period of paid leave granted to an employee in recognition of a long period of service to an employer. The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(d) Share-based compensation

The Group operates multiple equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options or performance shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options/performance shares granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability and remaining employees of the entity over a specified period). Non-market vesting conditions are included in assumptions about the number of options/performance shares that are expected to vest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each reporting date, the Group revises its estimates of the number of options/performance shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options and the amount previously recognised in share-based payment reserve will be transferred to retained profits.

2.20 REVENUE RECOGNITION

Revenue 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 control and completion of distinctive performance obligations separately identified by the Group. Transaction price under the agreement is allocated to the various performance obligations and revenue is recognised in line with satisfaction of each performance obligation. Revenue is presented net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

(a) Sale of goods

Sale of goods is recognised upon transfer of control, which for majority of the products is the bill of lading date when the commodity is delivered for shipment. Where the incoterms are 'Cost, Insurance and Freight' (CIF), the Group identifies shipping service associated with sales as a performance obligation separate to the sale of goods. The Group allocates the transaction price of the relevant sale transaction to the distinct performance obligation related to shipping of goods and recognises the corresponding revenue over the period of the performance obligation that depicts the pattern of the transfer of control over time in accordance with the freight terms and conditions. Allocation of transaction price to delivery services is based on best estimate of a similar stand-alone service.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses. Revenues from the sale of significant by-products, such as gold and silver, are included in sales revenue.

Price adjustments in case of provisionally priced sales

The Group has certain provisionally priced sales where the contract terms for the Group's concentrate sales allow for a price adjustment based on a final assay of the goods determined after discharge. The Group assesses such provisional pricing to be a variable consideration and recognises revenue at an amount representing the Group's estimate for the expected final consideration. This amount is based on the most recently determined estimate of product assays. The Group applies judgement regarding likelihood of significant reversals to ensure that revenue is only recognised to the extent that it is highly probable that significant reversal will not occur. Any adjustments to the final price are recognised as revenue.

Changes in fair value of provisionally priced sales

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.

In case of such provisional pricing arrangements, the Group re-estimates the fair value of the final sales price adjustment continually by reference to forward market prices. Such fair value adjustments do not form part of the revenue recognised from customers and are governed under HKFRS 9 "Financial Instruments". Related receivable balances are recognised at fair value through profit and loss.

(b) Interest and dividend income

Interest income is recognised on a time-proportion basis, using the effective interest method. Dividend income is recognised when right to receive dividend is established.

2.21 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.

2.22 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. CHANGES IN ACCOUNTING POLICIES

The following notes explain the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's consolidated financial statements.

3.1 FINANCIAL INSTRUMENTS

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement", bringing together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting. HKFRS 9 includes an approach for the classification and measurement of financial assets which is based on cash flow characteristics and the business model used for the management of the financial instruments. It introduces the ECL model for impairment of certain financial assets which replaces the incurred loss model used in HKAS 39. The ECL model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The standard also amends the rules on hedge accounting to align the accounting treatment with the risk management objective and strategy of the business.

As permitted by the transitional provisions, the Group has elected to apply HKFRS 9 on a full retrospective basis. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition are recognised in the opening retained profits of the current reporting period.

For the amended accounting policies for financial instruments, please refer to Note 2.

The measurement category and the carrying amount of financial assets and liabilities in accordance with HKAS 39 and HKFRS 9 as at 1 January 2018 are compared as follows:

	ORIGINAL MEASUREMENT CATEGORY UNDER HKAS 39	NEW MEASUREMENT CATEGORY UNDER HKFRS 9	ORIGINAL CARRYING AMOUNT UNDER HKAS 39 US$ MILLION	NEW CARRYING AMOUNT UNDER HKFRS 9 US$ MILLION
Financial assets				
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	936.1	936.1
Trade receivables (provisional price)	Amortised cost (Loans and receivables)	FVTPL	236.3	236.3
Other receivables (including government taxes)	Amortised cost (Loans and receivables)	Amortised cost	187.9	159.1
Derivative financial assets	FVTPL	FVTPL	0.5	0.5
Loan to a related party	Amortised cost (Loans and receivables)	Amortised cost	120.0	120.0
Financial assets at fair value through profit or loss	FVTPL	FVTPL	5.5	5.5
Other financial assets	Amortised cost (Loans and receivables)	Amortised cost	12.3	12.3
Financial liabilities				
Trade and other payables	Amortised cost (Loans and receivables)	Amortised cost	(730.1)	(730.1)
Other financial liabilities (Bank guarantees)	Amortised cost (Loans and receivables)	FVTPL	(151.3)	(151.3)
Other financial liabilities	Amortised cost (Loans and receivables)	Amortised cost	(9.0)	(9.0)
Borrowings	Amortised cost (Loans and receivables)	Amortised cost	(9,192.5)	(9,192.5)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3.2 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 establishes a single comprehensive model for entities for use in accounting for revenue arising from contracts with customers. HKFRS 15 supersedes the original revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations. HKFRS 15 requires the Group to apply a five step approach in recognising revenue, including a) Identifying the contract(s) with a customer; b) Identifying the performance obligations in the contract; c) Determining the transaction price; d) Allocating the transaction price to the performance obligations in the contract and e) Recognising revenue when (or as) the entity satisfies a performance obligation. The Group has accordingly amended its accounting policy for revenue recognition to comply with HKFRS 15. Refer to the policy in note 2. The Group has assessed the impact of such change in policy, which was primarily in respect of allocation of revenue to shipping services, and timing of recognition of such revenue, and has concluded that there is no significant impact to recognition, measurement and presentation of revenue.

HKFRS 15 also requires certain additional disclosures of revenue from contracts with customers. These are covered as part of Note 5. The Group considers that the impact of economic factors on its sales revenue, particularly pricing and volumes, is best understood by reference to the disclosure of sales revenue by metal product as disclosed in the segment report. The analysis of provisional pricing adjustments by commodity is also presented in Note 31 which shows the main products subject to price volatility post the transfer of control.

3.3 IMPACT OF ADOPTION OF OTHER NEW STANDARD AND POLICIES

The Group has concluded that the impact of adoption of all other new standard and policies does not result in any material measurement or presentation differences for the Group for the purpose of the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made estimates and judgements that affect the application of the Group's accounting policies. Estimates and judgements are reviewed on an ongoing basis 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.

4.1 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 2.15. 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) Recoverability of non-financial assets

The recoverable amount of each of the Group's cash-generating units and development projects is determined as the higher of the asset's fair value less costs of disposal and its value in use in accordance with the accounting policy in Notes 2.7 and 14. These calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, exploration potential, future capital requirements and future operating performance.

4.2 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(b). This control assessment considers whether the Group has the power to direct the relevant activities that significantly affect the returns of subsidiaries.

As outlined in Note 17, the Group has assessed the investment holding company of the Las Bambas mine, MMG South America Management Company Limited (Las Bambas Joint Venture Company, 'JV'), 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 in the event of any change or circumstance that may impact the Group's power to affect the variable returns of the JV arises. 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.

(b) Determination of commissioning of Dugald River

The Group exercised judgement in assessing the status of commissioning of the Dugald River Project ('Dugald River') 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', included but was 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 Dugald River achieved commercial production on 1 May 2018.

(c) Taxes

The Group is subject to tax 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 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, which could have a significant impact on the Group. A number of these matters exist at Minera Las Bambas S.A., and some of these are subject to an indemnity within the Share Purchase Agreement for the purchase of the Las Bambas asset in 2014. At 31 December 2018, the Group is progressing indemnity claims with Glencore plc and its subsidiaries ("Glencore") at the United Kingdom courts totalling US$85 million. Where the final outcome of these tax matters is different from the amounts that were initially recorded, such differences will impact the balances in the accounting period in which such determination is made. As outlined in Note 35, the Group is subject to tax matters with uncertain outcomes, which could result in further claims in the future by the Group.

In addition, Minera Las Bambas S.A. is currently subject to a number of audits and reviews by the Peruvian taxation authority in relation to value added taxes ("VAT"), withholding taxes and income taxes. Some of these matters relate to Glencore's period of ownership and may be subject to potential indemnity claims. The timing of resolution and potential economic outflow of the unresolved tax matters are uncertain. For those uncertain tax matters the Group presently has, they are either incapable of being measured reliably or there is remote possibility of economic outflow at the reporting date. As such, no provision has been reflected in the consolidated financial statements for such tax matters.

Where income tax and withholding tax obligations have been assessed and deemed to have probable future economic outflows capable of reliable measurement, the Group has provided for these as a provision.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. SEGMENT INFORMATION

HKFRS 8 "*Operating Segments*" requires operating segments to be identified on the basis of internal reports about operations of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and assess its performance.

The Company's Executive Committee has been identified as the chief operating decision-maker. The Executive Committee reviews the Group's internal reporting of these operations in order to assess performance and allocate resources.

Following the commissioning of Dugald River Project on 1 May 2018, its operating results and related assets/liabilities are reported as a separate reportable segment, which were included in "Others" segment in the prior year.

The Group's reportable segments are as follows:

Las Bambas	The Las Bambas mine is a large open-pit, scalable, long-life copper and molybdenum mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the DRC.
Dugald River	The Dugald River mine is an underground zinc mining operation located near Cloncurry in North West Queensland. The Dugald River mine achieved commercial production on 1 May 2018.
Rosebery (previously Australian Operations)	Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. In 2017, "Australian Operations" segment included the Golden Grove mine, which was disposed on 28 February 2017.
Others	Includes exploration projects, mine sites under construction, mine sites under care and maintenance and corporate entities in the Group.

Sepon is an open-pit copper mining operation located in Southern Laos. It was one of the Group's reportable segments until it was disposed of on 30 November 2018. Refer to Note 6.1 for more details. Accordingly, although the operating results for the period from 1 January 2018 to 30 November 2018 of Sepon are still reflected in the respective segment results, its assets and liabilities ceased to be consolidated by the Group from 30 November 2018 onwards.

A segment result represents the EBIT by each segment. This is the measure reported to the Company's Executive Committee for the purposes of resource allocation and assessment of segment performance. Other information provided, except as disclosed in the following paragraph, to the Company's Executive Committee is measured in a manner consistent with that in these consolidated financial statements.

Segment assets exclude current income tax assets, deferred income tax assets and net inter-segment receivables. Segment liabilities exclude current income tax liabilities, deferred income tax liabilities and net inter-segment loans. The excluded assets and liabilities are presented as part of the reconciliation to total consolidated assets or liabilities.

The segment revenue and results for the year ended 31 December 2018 are as follows:

	FOR THE YEAR ENDED 31 DECEMBER 2018							
US$ MILLION	LAS BAMBAS	KINSEVERE	DUGALD RIVER	ROSEBERY	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	CONTINUING OPERATIONS SUBTOTAL	DISCONTINUED OPERATION (SEPON) (NOTE 6.1)	GROUP
Revenue by metal[4]:								
– Copper	2,317.4	516.4	-	6.2	(0.8)	2,839.2	433.6	3,272.8
– Zinc	-	-	203.7	175.6	-	379.3	-	379.3
– Lead	-	-	29.8	55.5	-	85.3	-	85.3
– Gold	129.4	-	-	45.2	-	174.6	-	174.6
– Silver	83.0	-	13.8	46.2	-	143.0	-	143.0
– Molybdenum	48.8	-	-	-	-	48.8	-	48.8
Revenue from contracts with customers	**2,578.6**	**516.4**	**247.3**	**328.7**	**(0.8)**	**3,670.2**	**433.6**	**4,103.8**
EBITDA (excluding gain on disposal of subsidiaries)	**1,341.2**	**203.0**	**87.6**	**171.6**	**(52.2)**	**1,751.2**	**138.6**	**1,889.8**
Depreciation and amortisation expenses (Note 29)	(641.5)	(153.2)	(40.7)	(73.8)	(8.9)	(918.1)	(159.1)	(1,077.2)
EBIT (excluding gain on disposal of subsidiaries)	**699.7**	**49.8**	**46.9**	**97.8**	**(61.1)**	**833.1**	**(20.5)**	**812.6**
Gains on disposal of subsidiaries (Note 6.1)						-	27.9	27.9
Finance income (Note 29)						6.8	6.7	13.5
Finance costs (Note 29)						(533.7)	(6.2)	(539.9)
Income tax expense						(169.6)	(7.1)	(176.7)
Profit for the year						**136.6**	**0.8**	**137.4**
Other segment information:								
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	243.2	57.1	17.6	11.5	2.2	**331.6**	4.8	**336.4**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The segment assets and liabilities at 31 December 2018 are as follows:

	AT 31 DECEMBER 2018					
US$ MILLION	**LAS BAMBAS**	**KINSEVERE**	**DUGALD RIVER**	**ROSEBERY**	**OTHER UNALLOCATED ITEMS/ ELIMINATIONS**	**GROUP**
Segment assets	10,643.6	855.8	713.3	341.4	468.9[1]	13,023.0
Current/deferred income tax assets						232.4
Consolidated assets						**13,255.4**
Segment liabilities	5,924.4	156.7	490.1	151.9	2,683.8[2]	9,406.9
Current/deferred income tax liabilities						952.2
Consolidated liabilities						**10,359.1**

The segment revenue and results for the year ended 31 December 2017 are as follows:

	FOR THE YEAR ENDED 31 DECEMBER 2017 (RESTATED[3])						
US$ MILLION	LAS BAMBAS	KINSEVERE	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	CONTINUING OPERATIONS SUBTOTAL	DISCONTINUED OPERATION (SEPON) (NOTE 6.1)	GROUP
Revenue by metal[4]:							
– Copper	2,644.0	500.9	5.8	8.3	3,159.0	391.9	3,550.9
– Zinc	-	-	168.7	-	168.7	-	168.7
– Lead	-	-	53.1	-	53.1	-	53.1
– Gold	165.8	-	36.9	-	202.7	-	202.7
– Silver	109.1	-	40.7	-	149.8	-	149.8
– Molybdenum	18.0	-	-	-	18.0	-	18.0
Revenue from contracts with customers	**2,936.9**	**500.9**	**305.2**	**8.3**	**3,751.3**	**391.9**	**4,143.2**
EBITDA (excluding gain on disposal of subsidiaries)	**1,740.8**	**178.7**	**156.1**	**(163.4)**	**1,912.2**	**119.2**	**2,031.4**
Depreciation and amortisation expenses (Note 29)	(589.4)	(144.2)	(73.9)	(11.1)	(818.6)	(114.4)	(933.0)
EBIT (excluding gain on disposal of subsidiaries)	**1,151.4**	**34.5**	**82.2**	**(174.5)**	**1,093.6**	**4.8**	**1,098.4**
Gains on disposal of subsidiaries (Note 6.2)					178.6	-	178.6
Finance income (Note 29)					6.0	2.8	8.8
Finance costs (Note 29)					(537.6)	(4.7)	(542.3)
Income tax expense					(394.5)	(0.6)	(395.1)
Profit for the year					**346.1**	**2.3**	**348.4**
Other segment information:							
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	361.8	63.1	62.8	294.2	**781.9**	54.3	**836.2**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The segment assets and liabilities at 31 December 2017 are as follows:

	AT 31 DECEMBER 2017					
US$ MILLION	LAS BAMBAS	KINSEVERE	SEPON	AUSTRALIAN OPERATIONS	OTHER UNALLOCATED ITEMS/ ELIMINATIONS	GROUP
Segment assets	11,304.2	980.2	624.5	414.6	1,209.9[1]	14,533.4
Current/deferred income tax assets						256.2
Consolidated assets						**14,789.6**
Segment liabilities	6,744.4	228.5	282.3	165.0	3,519.4[2]	10,939.6
Current/deferred income tax liabilities						878.2
Consolidated liabilities						**11,817.8**

1. Included in segment assets of US$468.9 million (2017: US$1,209.9 million) for the other segment is cash of US$93.9 million (2017: US$194.4 million) mainly held at Group treasury entities and trade receivables of US$172.9 million (2017: US$108.4 million) for MMG South America Company Limited ("MMG SA") in relation to copper concentrate sales. As at 31 December 2017, other segment assets also consist of the Dugald River project of US$688.1 million and a loan to a related party of US$120.0 million.
2. Included in segment liabilities of US$2,683.8 million (2017: US$3,519.4 million) for the other segment are borrowings of US$2,361.3 million (2017: US$2,929.2 million), which are managed at Group level. Also included in Other segment liabilities are bank guarantee financial liabilities of US$136.6 million (2017: US$151.3 million) and costs of support package of US$9.0 million (2017: US$17.9 million) associated with the disposal of the Century mine.
3. The results of Sepon for the year ended 31 December 2017 have been re-presented due to compliance with HKFRS 5 which requires representation of comparative to show the discontinued operation separately from continuing operations.
4. The new revenue standard requires the Group to disaggregate revenue from contracts with customers into appropriate categories that depict how the nature of revenue is affected by economic factors. The Group presents revenue by metals.

6. DISPOSAL OF SUBSIDIARIES AND RESULTS OF DISCONTINUED OPERATION

6.1 SALE OF SEPON MINE IN 2018

On 30 November 2018, the Group completed the sale of MMG Laos Holdings Limited to Chifeng Jilong Gold Mining Co., Limited ("Chifeng"), for total consideration of US$275.0 million. MMG Laos Holding Limited owns the Group's 90% interest in Lane Xang Minerals Limited ("LXML"), which in turn owns the Sepon mine in Laos PDR. The results of the Sepon mine are classified as a discontinued operation for the current reporting period to the date of completion of the sale on 30 November 2018, at which date the Group ceased to consolidate LXML. The results of Sepon for the year ended 31 December 2017 have been re-presented to show separately from continuing operations.

(a) Gain on disposal of Sepon is as follows:

	2018 US$ MILLION
Consideration received in cash and cash equivalents (b)	247.5
Deferred consideration (recognised as non-current other receivable)[1]	22.2
Total fair value of consideration[1]	**269.7**
Net assets disposed attributable to equity holders of the Company (e)	(238.8)
Less: transaction costs	(3.0)
Gain on disposal (pre-tax)	**27.9**
Deferred tax balances disposed attributable to equity holders of the Company (e)	(13.7)
Gain on disposal (post-tax)	**14.2**
Loss for the year – net of income tax (c)	**(13.4)**
Profit for the year from discontinued operation	**0.8**
Profit for the year from discontinued operation attributable to:	
– Equity holders of the Company	3.5
– Non-controlling interests	(2.7)
	0.8

1. The total sale consideration of US$275.0 million includes US$27.5 million of deferred consideration receivable at the earlier of 31 December 2021, or following satisfaction of certain post-closing conditions. The deferred consideration has been measured at its fair value of US$22.2 million. The total fair value of the consideration received/receivable amounts to US$269.7 million as at the completion date of such disposal.

(b) Net cash inflow on disposal of Sepon is as follows:

	2018 US$ MILLION
Consideration received in cash and cash equivalents (a)	247.5
Less: cash and cash equivalents disposed (e)	(132.4)
Less: transaction costs paid	(1.2)
Proceeds from disposal of Sepon, net	**113.9**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(c) Results of Sepon discontinued operation (on 100% consolidated basis):

	2018 US$ MILLION	2017 US$ MILLION
Revenue	433.6	391.9
Expenses (excluding depreciation and amortisation expenses)	(295.0)	(272.7)
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA	**138.6**	**119.2**
Depreciation and amortisation expenses	(159.1)	(114.4)
Earnings before interest and income tax - EBIT	**(20.5)**	**4.8**
Net finance income/(costs)	0.5	(1.9)
(Loss)/profit before income tax	**(20.0)**	**2.9**
Income tax credit/(expense)	6.6	(0.6)
(Loss)/profit for the year – net of income tax (a)	**(13.4)**	**2.3**
(Loss)/profit for the year attributable to:		
– Equity holders of the Company	(10.7)	3.1
– Non-controlling interests	(2.7)	(0.8)
	(13.4)	**2.3**

(d) Cash flow attributable to Sepon discontinued operation (on 100% consolidated basis):

	2018 US$ MILLION	2017 US$ MILLION
Net cash inflows from operating activities	135.9	153.1
Net cash inflows/(outflows) from investing activities	246.2	(149.4)
Net cash outflows from financing activities[1]	(271.8)	-
Net cash inflows from discontinued operation	**110.3**	**3.7**
Less: cash and cash equivalents disposed on sale of Sepon (e)	(132.4)	-
Net cash (outflows)/inflows from discontinued operation	**(22.1)**	**3.7**

1. Net cash outflows from financing activities in 2018 include dividends payment of US$27.2 million to non-controlling interests.

(e) Sepon assets and liabilities disposed (on 100% consolidated basis):

	2018 US$ MILLION
Non-current assets	
Property, plant and equipment	321.1
Deferred income tax assets	24.5
Inventories	4.5
Other assets	11.2
Current assets	
Cash and cash equivalents (b),(d)	132.4
Inventories	53.3
Trade and other receivables	29.2
Other assets	0.6
Total assets disposed	**576.8**
Non-current liabilities	
Provisions	252.3
Deferred income tax liabilities	9.3
Current liabilities	
Trade and other payables	27.7
Provisions	7.0
Total liabilities disposed	**296.3**
Net assets disposed (excluding deferred tax balances):	**265.3**
– attributable to equity holders of the Company (a)	238.8
– attributable to non-controlling interests	26.5
Net deferred tax assets disposed:	**15.2**
– attributable to equity holders of the Company (a)	13.7
– attributable to non-controlling interests	1.5
Net assets disposed on 100% consolidated basis – post tax	**280.5**

6.2 SALE OF AVEBURY, CENTURY AND GOLDEN GROVE MINES IN 2017

The Group completed the sales of the Avebury, Golden Grove and Century mines during the year ended 31 December 2017. The completion dates of the respective sale are as follows:

	COMPLETION DATE OF SALE
Golden Grove	28 February 2017
Century	28 February 2017
Avebury	7 July 2017

The Group lost control of and ceased to consolidate these subsidiaries after the respective sale completion dates. The operating results for the period from 1 January 2017 to 28 February 2017 of the Golden Grove and Century mines and the operating result for the period from 1 January 2017 to 7 July 2017 of Avebury mine are consolidated into the Group's financial statement of profit or loss during 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(a) The Group's gains on disposal of subsidiaries for the year ended 31 December 2017 are as follows:

US$ MILLION	GOLDEN GROVE	CENTURY	AVEBURY	2017 TOTAL
Consideration received	**210.0**	**-**	**19.0**	**229.0**
Net (assets)/liabilities disposed (excluding deferred taxes)	(188.0)	336.3	(14.1)	134.2
Fair value of financial liability in relation to the bank guarantee (A$193.7 million) associated with Century disposal[1]	-	(148.8)	-	(148.8)
Cost of support package (total A$46.6 million) associated with Century disposal	-	(35.8)	-	(35.8)
Total net (assets)/liabilities disposed after adjustments	**(188.0)**	**151.7**	**(14.1)**	**(50.4)**
Gain on disposal (pre-tax)	**22.0**	**151.7**	**4.9**	**178.6**
Deferred tax balances disposed	(4.0)	(163.5)	(1.4)	(168.9)
Gain/(loss) on disposal (post-tax)	**18.0**	**(11.8)**	**3.5**	**9.7**

1. As a part of the terms of the sale the Group has procured certain bank guarantees amounting to A$193.7 million (equivalent to US$136.6 million) for the benefit of New Century Resources Limited until 31 December 2026. The guarantees have been procured to support certain obligations New Century Resources Limited is required to perform in operating the Century Mine business including rehabilitation activities. New Century Resources Limited is legally required to punctually meet all obligations and must use best endeavours to ensure that no demand is made under the bank guarantees. New Century Resources Limited 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.

(b) Net cash inflow/(outflow) on disposal of subsidiaries for the year ended 31 December 2017 are as follows:

US$ MILLION	GOLDEN GROVE	CENTURY	AVEBURY	2017 TOTAL
Consideration received in cash and cash equivalents	210.0	-	19.0	**229.0**
Less: cash and cash equivalents disposed	-	-	-	**-**
Less: completion adjustment payment	(2.5)	-	-	**(2.5)**
Less: payments on support package associated with Century disposal	-	(18.1)	-	**(18.1)**
	207.5	**(18.1)**	**19.0**	**208.4**

7. OTHER INCOME/(LOSS) (RELATED TO CONTINUING OPERATIONS)

	2018 US$ MILLION	2017 US$ MILLION
Gain on early redemption of convertible redeemable preference shares	12.6	-
Loss on changes in fair value of commodity price contracts	-	(24.4)
Gain/(loss) on disposal of property, plant and equipment	2.4	(2.3)
Other income/(loss)	5.6	(8.3)
Total other income/(loss)	**20.6**	**(35.0)**

8. EXPENSES (RELATED TO CONTINUING OPERATIONS)

Profit before income tax includes the following specific expenses related to continuing operations:

	2018 US$ MILLION	2017 US$ MILLION
Changes in inventories of finished goods and work in progress	(4.8)	(36.5)
Write-down of inventories to net realisable value	59.3	11.7
Employee benefit expenses[1]	230.7	221.7
Contracting and consulting expenses	500.2	455.5
Energy costs	254.1	232.2
Stores and consumables costs	373.0	339.0
Depreciation and amortisation expenses[2]	882.6	774.7
Operating lease rental[3]	22.9	17.4
Other production expenses	142.9	117.4
Cost of goods sold	**2,460.9**	**2,133.1**
Other operating expenses	40.3	39.2
Royalty expenses	126.9	124.3
Selling expenses	117.3	113.2
Operating expenses including depreciation and amortisation[4]	2,745.4	2,409.8
Exploration expenses[1,2,3]	47.5	45.1
Administrative expenses[1,3]	35.8	81.7
Auditor's remuneration	1.6	1.5
Foreign exchange (gains)/losses – net	(12.3)	49.1
Loss /(gain) on financial assets at fair value through profit or loss	2.4	(4.6)
Other expenses[1,2,3]	37.3	40.1
Total expenses	**2,857.7**	**2,622.7**

1. In aggregate US$89.7 million (2017: US$133.3 million) employee benefit expenses by nature is included in the administrative expenses, exploration expenses, and other expenses categories. Total employee benefit expenses attributable to continuing operations were US$320.4 million (2017: US$355.0 million) (Note 13).
2. In aggregate US$35.5 million (2017: US$43.9 million) depreciation and amortisation expenses are included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses attributable to continuing operations were US$918.1 million (2017: US$818.6 million).
3. In aggregate, an additional US$6.9 million (2017: US$10.4 million) operating lease rentals are included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals attributable to continuing operations were US$29.8 million (2017: US$27.8 million).
4. Operating expenses attributable to continuing operations include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. FINANCE INCOME AND FINANCE COSTS (RELATED TO CONTINUING OPERATIONS)

	2018 US$ MILLION	2017 US$ MILLION
Finance income		
Interest income on cash and cash equivalents	6.8	6.0
	6.8	**6.0**
Finance costs		
Interest expense on bank borrowings	(372.5)	(370.8)
Interest expense on convertible redeemable preference shares	-	(20.1)
Interest expense on related party borrowings (Note 30(a))	(109.3)	(102.5)
Unwinding of discount on provisions	(18.8)	(11.9)
Other finance cost on external borrowings	(35.6)	(50.8)
Other finance cost on related party borrowings (Note 30(a))	(6.5)	(4.1)
Finance costs – total	**(542.7)**	**(560.2)**
Less: Borrowing costs capitalised in relation to qualifying assets[1]	9.0	22.6
Finance costs – net of capitalised borrowing costs	**(533.7)**	**(537.6)**

1. Borrowing costs capitalised at the rate of 5.6% (2017: 5.5%) per annum representing the average interest rate on borrowings related to Dugald River project. Borrowing costs ceased to be capitalised to the Dugald River project upon its achievement of commercial production on 1 May 2018.

10. INCOME TAX EXPENSE (RELATED TO CONTINUING OPERATIONS)

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%), Peru (32.0%), the DRC (30.0%) and Laos (24.0%). 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.

	2018 US$ MILLION	2017 US$ MILLION
Current income tax expense – Overseas income tax	(78.4)	(121.8)
Deferred income tax expense – Overseas income tax[1]	(91.2)	(272.7)
Income tax expense	**(169.6)**	**(394.5)**

1. Included in the 2017 deferred income tax expense is US$168.9 million (of which, US$166.2 million arises from deferred tax balance movement (Note 19) and US$2.7 million arises from asset/liability held for sale movements associated with the disposals of Century, Golden Grove and Avebury mines.

There is no deferred tax impact relating to items of other comprehensive income (2017: US$nil).

The tax on the Group's profit before income tax from continuing operations differs from the prima facie amount that would arise using the applicable tax rate to profit of the consolidated companies as follows:

	2018 US$ MILLION	2017 US$ MILLION
Profit before income tax	306.2	740.6
Calculated at domestic tax rates applicable to profits in the respective countries	(80.3)	(222.0)
Net (non-deductible)/non-taxable amounts[1]	(12.5)	77.3
Net unrecognised deferred tax assets[2]	(26.2)	(40.3)
Utilisation of tax losses/deductible temporary differences previously not recognised	33.5	49.9
(Under)/over provision in prior years	(16.0)	22.2
Non-creditable withholding tax	(59.6)	(102.7)
Derecognition of deferred tax balances associated with disposal of subsidiaries	-	(168.9)
Others	(8.5)	(10.0)
Income tax expense	**(169.6)**	**(394.5)**

1. Amounts in 2017 primarily relate to the gains from divestments of subsidiaries, which were non-taxable in Singapore.
2. Amounts relate mainly to costs not presently deductible in Hong Kong.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. 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.

	2018 US$ MILLION	2017 US$ MILLION
Profit attributable to equity holders of the Company in the calculation of basic and diluted earnings per share	**68.3**	**147.1**
– From continuing operations	64.8	144.0
– From discontinued operation	3.5	3.1

	NUMBER OF SHARES '000	
	2018	2017
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	8,019,434	7,948,885
Shares deemed to be issued in respect of long-term incentive equity plans	77,067	162,903
Weighted average number of ordinary shares used in the calculation of the diluted earnings per share[1]	**8,096,501**	**8,111,788**
Basic earnings per share	**US 0.85 cents**	**US 1.85 cents**
– From continuing operations	US 0.81 cents	US 1.81 cents
– From discontinued operation	US 0.04 cents	US 0.04 cents
Diluted earnings per share	**US 0.84 cents**	**US 1.81 cents**
– From continuing operations	US 0.80 cents	US 1.77 cents
– From discontinued operation	US 0.04 cents	US 0.04 cents

1. The conversion of convertible redeemable preference shares (CRPS) as issued by Topstart Limited ("Topstart"), a subsidiary of the Company, would result in an anti-dilutive impact to the earnings per share, as such the calculation of diluted earnings per share does not assume conversion.

12. DIVIDENDS

The Directors did not recommend the payment of an interim or final dividend for the year ended 31 December 2018 (2017: US$nil).

13. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (RELATED TO CONTINUING OPERATIONS)

	2018 US$ MILLION	2017 US$ MILLION
Salaries and other benefits	308.6	342.4
Retirement scheme contributions (a)	11.8	12.6
Total employee benefit expenses (Note 8)	**320.4**	**355.0**

(a) 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 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 2018 amounted to US$11.8 million (2017: US$12.6 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. PROPERTY, PLANT AND EQUIPMENT

US$ MILLION	LAND AND BUILDINGS	PLANT AND MACHINERY	MINE PROPERTY AND DEVELOPMENT	EVALUATION	CONSTRUCTION IN PROGRESS	TOTAL
At 1 January 2018						
Cost	825.0	4,443.0	8,608.8	207.8	1,416.6	15,501.2
Accumulated depreciation, amortisation and impairment	(128.4)	(1,233.3)	(1,477.3)	(106.7)	(573.4)	(3,519.1)
Net book amount at 1 January 2018	**696.6**	**3,209.7**	**7,131.5**	**101.1**	**843.2**	**11,982.1**
Year ended 31 December 2018						
At the beginning of the year	696.6	3,209.7	7,131.5	101.1	843.2	11,982.1
Additions[1] (Note 29(b))	1.3	81.5	102.8	-	145.4	331.0
Depreciation and amortisation	(51.1)	(368.8)	(625.6)	-	-	(1,045.5)
Disposals, net	(0.2)	(2.3)	(0.2)	-	-	(2.7)
Transfers, net	58.6	387.3	255.1	-	(747.1)	(46.1)[2]
Subtotal	**705.2**	**3,307.4**	**6,863.6**	**101.1**	**241.5**	**11,218.8**
Disposal of Sepon Mine, net (Note 6.1)	(10.3)	(156.8)	(148.3)	(1.1)	(4.6)	(321.1)
At the end of the year	**694.9**	**3,150.6**	**6,715.3**	**100.0**	**236.9**	**10,897.7**
At 31 December 2018						
Cost	833.0	4,377.7	8,949.7	206.4	236.9	14,603.7
Accumulated depreciation, amortisation and impairment	(138.1)	(1,227.1)	(2,234.4)	(106.4)	-	(3,706.0)
Net book amount at 31 December 2018	**694.9**	**3,150.6**	**6,715.3**	**100.0**	**236.9**	**10,897.7**

1. During the year, the Group capitalised borrowing costs of US$9.0 million (2017: US$22.6 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.
2. Represents the transfer to inventory upon commissioning of Dugald River project.

US$ MILLION	LAND AND BUILDINGS	PLANT AND MACHINERY	MINE PROPERTY AND DEVELOPMENT	EVALUATION	CONSTRUCTION IN PROGRESS	TOTAL
At 1 January 2017						
Cost	856.8	4,528.6	8,751.3	177.2	1,216.2	15,530.1
Accumulated depreciation, amortisation and impairment	(129.7)	(1,273.2)	(1,362.8)	(106.7)	(573.4)	(3,445.8)
Net book amount at 1 January 2017	**727.1**	**3,255.4**	**7,388.5**	**70.5**	**642.8**	**12,084.3**
Year ended 31 December 2017						
At the beginning of the year	727.1	3,255.4	7,388.5	70.5	642.8	12,084.3
Additions[1](Note 29(b))	7.5	70.5	174.9	30.6	514.3	797.8
Depreciation and amortisation	(44.9)	(321.3)	(530.1)	-	-	(896.3)
Disposals (net)	-	(2.3)	-	-	-	(2.3)
Transfers (net)	8.3	207.4	98.2	-	(313.9)	-
Subtotal	**698.0**	**3,209.7**	**7,131.5**	**101.1**	**843.2**	**11,983.5**
Disposal of Century Mine, net (Note 6.2)	(1.4)	-	-	-	-	(1.4)
At the end of the year	**696.6**	**3,209.7**	**7,131.5**	**101.1**	**843.2**	**11,982.1**
At 31 December 2017						
Cost	825.0	4,443.0	8,608.8	207.8	1,416.6	15,501.2
Accumulated depreciation, amortisation and impairment	(128.4)	(1,233.3)	(1,477.3)	(106.7)	(573.4)	(3,519.1)
Net book amount at 31 December 2017	**696.6**	**3,209.7**	**7,131.5**	**101.1**	**843.2**	**11,982.1**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

IMPAIRMENT TESTING OF NON-CURRENT ASSETS AND GOODWILL

In accordance with the Group's accounting policies and processes, the Group performs its impairment testing annually at 31 December. Cash Generating Units ("CGUs") are reviewed at each reporting period to determine whether there is an indication of impairment or impairment reversal. Where an indicator of impairment or impairment reversal exists, a formal estimate of the recoverable amount is made at the reporting period.

Indicators of impairment for Kinsevere mine due to the political environment in the DRC as well as potential impairment reversal for Dugald River mine following its commissioning were identified as at 31 December 2018, which resulted in assessing if an impairment or a reversal of impairment is required respectively.

Las Bambas is subject to impairment testing due to Goodwill being attributed to the CGU which requires an annual impairment assessment.

(a) Approach

An impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of each CGU has been estimated using the higher of its fair value less costs of disposal or its value in use ("Fair Value"). The Fair Value estimates are considered to be level 3 fair value measurements (as defined by accounting standards) as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process, including Life of Asset ("LOA") plans, three-year budgets, periodic forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise 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. Exploration targets are included in the valuation as applicable.

(b) Key assumptions

The key assumptions impacting the discounted cash flow models used to determine the Fair Value include:

- Commodity prices;
- Operating costs;
- Capital requirements;
- Real post-tax discount rates;
- Foreign exchange rates;
- Reserves and Resources and exploration targets;
- Optimisation of operational activity and productivity; and
- Rehabilitation timing.

In determining the value assigned to some of the key assumptions, management has used external sources of information where appropriate.

Commodity price and exchange rate assumptions are based on the latest internal forecasts benchmarked to analyst consensus forecasts. The long-term cost assumptions are based on actual costs adjusted for planned operational changes and input cost assumptions over the life of mine.

Commodity price estimates included in the 3-year budget cash flows used the latest forecast metal prices. The long-term price assumed for copper is US$3.15 (2017: US$2.99) per pound and for zinc is US$1.21 (2017: US$1.22) per pound.

The long term AUD:USD exchange rate has been included as 0.78 (2017: 0.80).

The real post-tax discount rates used in the Fair Value estimates for each of the CGU's remain unchanged from 2017, i.e. 11% for Kinsevere, 8% for Las Bambas and 7% for Dugald River.

(c) Valuation methodology

Kinsevere

The Kinsevere Fair Value is predominately determined through the LOA discounted cash flows. The valuation contains the current operation, further regional exploration potential and third-party ore processing. The cash flows assume additional capital investment in the processing plant to process sulphide ore and potentially cobalt, which also extends the mine life.

In March 2018, the DRC Government passed significant changes to the DRC 2002 Mining Code (2018 Mining Code). The 2018 Mining Code does not recognise the application of Article 276 of the 2002 Mining Code which provides a guarantee of stability of the provisions of the 2002 Mining Code including, but not limited to tax, customs and exchange regimes, for a period of 10 years after the entry into force of the amended legislation. In light of the adverse impact the 2018 Mining Code represents to Kinsevere mine, the Group along with other industry participants have engaged in discussion with the DRC Government seeking to negate or reduce negative financial outcomes. The mining operators in the DRC continue to review options to seek recognition of the application of the guarantee of stability.

The Group remains committed to working with the DRC Government to find a mutually acceptable solution to the issues raised by the 2018 Mining Code. However, depending on the outcomes of such negotiations, formal legal action by the Group to enforce its rights, including under the Bilateral Investment Treaty between the DRC and People's Republic of China (PRC) and/or the 2002 Mining Code, remains under active consideration.

In addition, several of the more complex changes (including Special Tax on Excess Profits), should the guarantee of stability not be acknowledged, will be implemented through changes to the enabling Mining Regulations (gazetted and published in July 2018). The DRC Government progressively enforced elements of the 2018 Mining Code and Mining Regulations, including increased royalty rates, import duties and environmental taxes, from mid-June 2018. However, there is limited guidance in relation to the implementation of parts of the 2018 Mining Code and Mining Regulations (e.g. Special Tax on Excess Profit). As a result, significant uncertainties still exist. The valuation for the current reporting period supports the carrying value of the Kinsevere CGU as at 31 December 2018 and has taken into consideration these changes and associated impacts based on the best knowledge the Group presently has as of the date of issuance of these consolidated financial statements. The Group's interpretation of the 2018 Mining Code is subject to change in future following the publication of relevant implementation guidance on those impacted areas which are currently uncertain.

Should the guarantee of stability not be recognised and the Group's interpretation of the 2018 Mining Code significantly differ from the final guidelines to be provided by the DRC Government, and in the event that negotiations and any legal actions are unsuccessful, there is likely to be an impairment to the carrying value of Kinsevere.

Las Bambas

The Las Bambas Fair Value is determined through the 2018 LOA discounted cashflows and supported by comparable transaction multiples. The valuation contains the current operation and further regional exploration targets included in the initial valuation to acquire the mine in 2014. The cashflows assume additional capital investment in the processing plant as well as expected cost reductions from operational improvement programs underway. Future cash flow forecasts include estimates for the cost of obtaining access to land where the rights do not currently exist.

Dugald River

The Dugald River development project was impaired in December 2015 by US$573.6 million, pre-tax. The impairment was recognised as a result of further weakening in commodity prices, and industry changes in the region having an adverse effect on the valuation of the project.

The Group revised the Dugald River project plan in 2016 and identified cost savings and consistent improvements in the operational and technical stability of the project resulting in approval for external funding to complete the revised project. These factors together with the commissioning of the processing plant at 1 May 2018 resulted in an evaluation of whether a reversal of impairment should be considered as at 31 December 2018.

Due to the early stage of the operation and ramp up of production activities in particular in reaching the full design capacity, as well as the sensitivity of its Fair Value to zinc price, operating costs and ore grade, no reversal of impairment has been recognised as at 31 December 2018. The Group will continue to monitor and assess if a reversal of impairment is required in future periods.

Rosebery

The Rosebery Fair Value is determined through the 2018 LOA discounted cashflows. No indicators of impairment were noted for Rosebery and the Fair Value currently supports the carrying value of the CGU. Consequently, no impairment was recognised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(d) 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 and increasing the resource estimates over the lives of mines. Due to the number of factors that could impact production activity, such as processing throughput, changing ore grade and/or metallurgy and revisions to mine plans in response to physical or economic conditions, no quantified sensitivity has been determined. Changes to these assumptions may however result in an impact on the Fair Value and result in impairment in future.

Each of the below sensitivities assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions may accompany a change in another assumption which may have an offsetting impact (for example, a decline in the US dollar commodity price accompanied with a decline in the Australian dollar compared to the US dollar). Action is also usually taken to respond to adverse changes in economic assumptions that may mitigate the impact of any such change.

Kinsevere

The key assumptions to which the calculation of Fair Value for Kinsevere is most sensitive are copper prices, the successful expansion of the processing plant to process sulphide ore and potentially cobalt, the application of the 2018 Mining Code as outlined above, and if the guarantee of stability is not recognised, the calculation of the Special Tax on Excess Profits (if applicable). An adverse change of 5% in copper price over the remaining mine life would decrease the recoverable amount by approximately US$126 million.

Las Bambas

The key assumptions to which the calculation of Fair Value for Las Bambas is most sensitive are copper price, operating costs, land access, including permitting delays and the amount of exploration potential to be realised. An adverse change of 5% in copper price over the remaining mine life would decrease the recoverable amount by approximately US$989 million. An adverse change of 5% in operating costs would decrease the recoverable amount by approximately US$450 million. The impact of delays in land access or the amount of exploration potential realised would result in a revision to the mine plan in response to these conditions.

15. INTANGIBLE ASSETS

US$ MILLION	GOODWILL	SOFTWARE DEVELOPMENT	TOTAL
As at 1 January 2018			
Cost	739.9	208.4	948.3
Accumulated amortisation and impairment	(211.4)	(114.6)	(326.0)
Net book amount at 1 January 2018	**528.5**	**93.8**	**622.3**
Year ended 31 December 2018			
At the beginning of the year	528.5	93.8	622.3
Additions	-	5.4	5.4
Amortisation	-	(31.7)	(31.7)
At the end of the year	**528.5**	**67.5**	**596.0**
As at 31 December 2018			
Cost	739.9	213.8	953.7
Accumulated amortisation and impairment	(211.4)	(146.3)	(357.7)
Net book amount at 31 December 2018	**528.5**	**67.5**	**596.0**
As at 1 January 2017			
Cost	739.9	170.0	909.9
Accumulated amortisation and impairment	(211.4)	(77.9)	(289.3)
Net book amount at 1 January 2017	**528.5**	**92.1**	**620.6**
Year ended 31 December 2017			
At the beginning of the year	528.5	92.1	620.6
Additions	-	38.4	38.4
Amortisation	-	(36.7)	(36.7)
At the end of the year	**528.5**	**93.8**	**622.3**
As at 31 December 2017			
Cost	739.9	208.4	948.3
Accumulated amortisation and impairment	(211.4)	(114.6)	(326.0)
Net book amount at 31 December 2017	**528.5**	**93.8**	**622.3**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. INVESTMENT IN SUBSIDIARIES

The following is a list of the principal subsidiaries of the Group as at 31 December 2018 and 2017:

NAME OF COMPANY	PLACE OF INCORPORATION/ OPERATION	PRINCIPAL ACTIVITIES	PARTICULARS OF ISSUED OR PAID-UP CAPITAL	PROPORTION OF ISSUED CAPITAL HELD BY THE COMPANY			
				2018		2017	
				DIRECTLY	INDIRECTLY	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%	-	100%
MMG Dugald River Pty Ltd	Australia	Holds Dugald River Assets	301,902,934 Ordinary Shares at A$1 a share	-	100%	-	100%
MMG Exploration Pty Ltd	Australia	Investment holding	1 Ordinary Share at A$1 a share	-	100%	-	100%
MMG Management Pty Ltd	Australia	Treasury and management services	1 Ordinary Share at A$1 a share	-	100%	-	100%
Topstart Limited[2]	British Virgin Islands	Investment holding	1,386,611,594 Ordinary Shares at US$1 a share	100%	-	100%	-
Anvil Mining Limited	British Virgin Islands	Investment holding	100 Class A Common Shares at US$1	-	100%	-	100%
MMG Resources Inc.	Canada	Mineral exploration	200 Common Shares at C$[1]1 a share	-	100%	-	100%
MMG Kinsevere SARL	DRC	Mineral exploration and production	15,339,967 Ordinary Shares at US$22,831 a share	-	100%	-	100%
MMG Exploration Holdings Limited	Hong Kong	Mineral exploration and holding company	1 Ordinary Share providing a share capital of HK$[1]1	100%	-	100%	-

1. A$, C$, HK$, S$, PEN, CHF and EUR stand for Australian dollar, Canadian dollar, Hong Kong dollar, Singapore dollar, Peruvian Sol, Swiss Franc and Euro respectively.
2. None of the subsidiaries had debt securities on issue during the year except for Topstart which had issued US$338.0 million Redemption of convertible redeemable preference shares (CRPS) in 2013. All of the issued CRPS were redeemed on 8 January 2018. Refer to Notes 17(b) and 25 for details.

NAME OF COMPANY	PLACE OF INCORPORATION/ OPERATION	PRINCIPAL ACTIVITIES	PARTICULARS OF ISSUED OR PAID-UP CAPITAL	PROPORTION OF ISSUED CAPITAL HELD BY THE COMPANY			
				2018		2017	
				DIRECTLY	INDIRECTLY	DIRECTLY	INDIRECTLY
MMG Finance Limited	Hong Kong	Administration and treasury services	1 Ordinary Share providing a share capital of HK$1	100%	-	100%	-
MMG South America Company Limited	Hong Kong	Holding company	1,880,000 Ordinary Shares providing a share capital of HK$1,880,000	100%	-	100%	-
MMG South America Management Company Limited	Hong Kong	Holding investments in Peru	1,200 Ordinary Shares providing a share capital of HK$28,046,249,501	-	62.5%	-	62.5%
Lane Xang Minerals Limited[3]	Laos	Mineral exploration and production	381,088 Ordinary Shares at US$1 a share	-	-	-	90%
MMG Netherlands B.V.	Netherlands	Investment holding	5,000 Ordinary Shares at EUR11 a share	-	62.5%	-	62.5%
Minera Las Bambas S.A.	Peru	Mineral exploration and production	2,890,004,037 Common Shares at PEN[1]1 a share	-	62.5%	-	62.5%
Album Investment Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S$[1]1 a share	-	100%	-	100%
Album Resources Pte Ltd	Singapore	Investment holding	488,211,901 Ordinary Shares at S$1 a share	-	100%	-	100%
MMG Swiss Finance AG	Switzerland	Investment holding and financial services	100,000 Ordinary Shares at CHF[1]1 a share	-	62.5%	-	62.5%

1. A$, C$, HK$, S$, PEN, CHF and EUR stand for Australian dollar, Canadian dollar, Hong Kong dollar, Singapore dollar, Peruvian Sol, Swiss Franc and Euro respectively.
2. None of the subsidiaries had debt securities on issue during the year except for Topstart which had issued US$338.0 million Redemption of convertible redeemable preference shares (CRPS) in 2013. All of the issued CRPS were redeemed on 8 January 2018. Refer to Notes 17(b) and 25 for details.
3. This subsidiary was disposed in 2018. Refer to Note 6.1 for details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. PRINCIPAL SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group had total non-controlling interests of US$1,639.2 million as at 31 December 2018 (2017: US$1,760.4 million). Non-controlling interests comprise the following:

	2018 US$ MILLION	2017 US$ MILLION
MMG South America Management Company Limited and its subsidiaries ("Las Bambas Joint Venture Group) (a)	1,639.2	1,567.4
Topstart Limited (b)	-	142.0
Lane Xang Minerals Limited (Note 6.1)	-	51.0
Total	**1,639.2**	**1,760.4**

(a) Summarised financial information for subsidiaries with material non-controlling interests to the Group

This summarised financial information is shown on a 100% basis. It represents the amounts shown in the subsidiaries' financial statements prepared in accordance with HKFRSs under Group's accounting policies, before inter-company eliminations.

	LAS BAMBAS JOINT VENTURE GROUP	
	AS AT 31 DECEMBER	
US$ MILLION	**2018**	**2017**
Summarised Statement of Financial Position		
Assets	**11,133.4**	**11,777.1**
Current	1,066.3	1,245.8
Non-current	10,067.1	10,531.3
Liabilities	**(6,762.4)**	**(7,597.5)**
Current	(1,014.8)	(720.1)
Non-current	(5,747.6)	(6,877.4)
Net assets	**4,371.0**	**4,179.6**

	YEAR ENDED 31 DECEMBER	
Summarised Statement of Comprehensive Income	**2018**	**2017**
Revenue	2,578.6	2,936.9
Profit and other comprehensive income for the year	191.4	539.1
Total comprehensive income attributable to non-controlling interests	71.8	202.1

	YEAR ENDED 31 DECEMBER	
Summarised Statement of Cash Flows	**2018**	**2017**
Net (decrease)/increase in cash and cash equivalents	(239.0)	468.6
Cash and cash equivalents at 1 January	708.2	239.6
Cash and cash equivalents at 31 December	**469.2**	**708.2**

(b) Topstart Limited

The non-controlling interests attributable to Topstart represent the equity component of the CRPS issued by Topstart during the year ended 31 December 2013. The equity component was recognised at the time of issuance as the difference between the fair value of the CRPS as a whole and the fair value of the liability component. Following initial recognition, the equity component is not subsequently remeasured except on conversion or expiry. On 29 December 2017, Topstart issued a notice to the CRPS holders, advising of its election to redeem all the CRPS on issue. The redemption took effect on 8 January 2018.

As at 31 December 2017, the holders of the CRPS did not hold or control any direct ownership interests or voting rights in Topstart. No profit or loss or other comprehensive income of Topstart for the year ended 31 December 2017 was attributable to, or allocated to the holders of the CRPS.

18. INVENTORIES

	2018 US$ MILLION	2017 US$ MILLION
Non-current		
Work in progress	**75.8**	**51.9**
Current		
Stores and consumables	126.5	140.9
Work in progress	45.0	49.7
Finished goods	32.4	105.5
	203.9	**296.1**
Total	**279.7**	**348.0**

19. DEFERRED INCOME TAX

The movements in deferred income tax assets/(liabilities) during the years are as follows:

US$ MILLION	PROPERTY, PLANT AND EQUIPMENT	PROVISIONS	TAX LOSSES	OTHERS	TOTAL
At 1 January 2017	(1,144.2)	280.3	473.5	(1.5)	(391.9)
Credited/(charged) to profit or loss (Note 10)	52.0	(51.6)	(153.8)	49.0	(104.4)
Derecognition of deferred tax balances associated with disposal of subsidiaries	(57.5)	(103.0)	-	(5.7)	(166.2)
At 31 December 2017	**(1,149.7)**	**125.7**	**319.7**	**41.8**	**(662.5)**
(Charged)/credited to profit or loss – continuing operations (Note 10)	(13.0)	60.1	(167.9)	29.6	(91.2)
Credited/(charged) to profit or loss – discontinued operation	20.1	-	(6.5)	-	13.6
Derecognition of deferred tax balances associated with disposal of subsidiaries (Note 6.1(e))	(5.2)	-	(10.0)	-	(15.2)
At 31 December 2018	**(1,147.8)**	**185.8**	**135.3**	**71.4**	**(755.3)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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:

	2018 US$ MILLION	2017 US$ MILLION
Deferred income tax assets	178.1	200.5
Deferred income tax liabilities	(933.4)	(863.0)
	(755.3)	(662.5)

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. As at 31 December 2018 and 2017, the Group had unrecognised deferred tax losses and temporary differences as follows:

	2018 US$ MILLION	2017 US$ MILLION
Tax losses (tax effected)	125.2	117.3
Deductible temporary differences (tax effected)	45.2	99.9
At 31 December	**170.4**	**217.2**

20. TRADE AND OTHER RECEIVABLES

	2018 US$ MILLION	2017 US$ MILLION
Non-current other receivables		
Prepayments	3.7	7.6
Other receivables – government taxes (net of provisions)[1]	93.9	153.6
Sundry receivables	134.1	57.7
	231.7	**218.9**

	2018 US$ MILLION	2017 US$ MILLION
Current trade and other receivables		
Trade receivables[2] (Notes 31.1(c), (e), 31.3 and 31.4)	285.5	236.3
Prepayments	22.3	28.0
Other receivables – government taxes[1]	76.7	3.3
Sundry receivables	28.2	20.1
	412.7	**287.7**

1. The government taxes amount mainly consists of VAT receivables associated with the Group's operations in Peru and the DRC.
2. As at 31 December 2018 and 2017, trade receivables of the Group mainly related to the mining operations. The majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. All the trade receivables at 31 December 2018 and 2017 were within 6 months from the date of invoice. As at 31 December 2018, US$20.9 million (2017: US$nil) trade receivables were past due and subsequently received on 3 January 2019. As at 31 December 2018, the Group's trade receivables included an amount of US$140.5 million (2017: US$102.5 million) (Note 30(d)), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US$.

21. OTHER FINANCIAL ASSETS

	2018 US$ MILLION	2017 US$ MILLION
Non-current financial assets (Notes 31.1 (c), (e), 31.3 and 31.4)		
Financial assets at fair value through profit or loss – listed[1]	3.3	5.5
Mine rehabilitation funds	-	12.3
	3.3	**17.8**

1. Financial assets at fair value through profit or loss are listed investments outside Hong Kong and their carrying values are equal to their market values.

22. CASH AND CASH EQUIVALENTS

	2018 US$ MILLION	2017 US$ MILLION
Cash at bank and in hand	301.9	331.9
Short-term bank deposits[1]	300.0	604.2
Total[2] (Notes 31.1 (c), (e), 31.3 and 31.5)	**601.9**	**936.1**

1. The weighted average effective interest rate on short-term bank deposits at 31 December 2018 was 2.77% (2017: 1.68%). These deposits have an average 19 days (2017: 20 days) to maturity from 31 December 2018.
2. Total cash and cash equivalents include US$469.2 million (2017: US$708.2 million) of cash held limited for use by Las Bambas joint venture and US$24.1 million (2017: US$27.8 million) of cash held limited for use by Dugald River project.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2018 US$ MILLION	2017 US$ MILLION
US dollars	592.1	928.3
Australian dollars	6.3	1.9
Peruvian sol	1.3	1.4
Hong Kong dollars	0.3	1.6
Others	1.9	2.9
	601.9	**936.1**

23. SHARE CAPITAL

	NUMBER OF ORDINARY SHARES		SHARE CAPITAL	
	2018 '000	2017 '000	2018 US$ MILLION	2017 US$ MILLION
Issued and fully paid:				
At 1 January	7,963,134	7,935,105	2,874.1	2,863.3
Employee share options exercised[1]	27,588	28,029	11.7	10.8
Employee performance awards vested[2]	61,276	-	25.0	-
At 31 December	**8,051,998**	**7,963,134**	**2,910.8**	**2,874.1**

1. During the year ended 31 December 2018, a total of 27,588,359 new shares were issued as a result of employee share options exercised at an exercise price of HK$2.51 per share under the Company's 2013 Share Option Scheme.
2. During the year ended 31 December 2018, a total of 61,275,971 new shares were issued upon vesting of performance awards under the Company's 2015 Long Term Incentive Equity Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. RESERVES AND RETAINED PROFITS

US$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANSLATION RESERVE	MERGER RESERVE[1]	SURPLUS RESERVE[2]	SHARE-BASED PAYMENT RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2018	9.4	2.7	(1,946.9)	-	42.4	**(1,892.4)**	229.7	**(1,662.7)**
HKFRS 9 adjustment on retained profits (Note 3)	-	-	-	-	-	**-**	(28.0)	**(28.0)**
Restated balance at 1 January 2018	**9.4**	**2.7**	**(1,946.9)**	**-**	**42.4**	**(1,892.4)**	**201.7**	**(1,690.7)**
Profit for the year	-	-	-	-	-	**-**	68.3	**68.3**
Other comprehensive income	-	-	-	-	-	**-**	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**68.3**	**68.3**
Provision of surplus reserve[2]	-	-	-	19.3	-	**19.3**	(19.3)	**-**
Disposal of a subsidiary	-	-	-	-	-	**-**	(7.7)	**(7.7)**
Employee long-term incentives	-	-	-	-	3.9	**3.9**	-	**3.9**
Employee share options exercised and vested	-	-	-	-	(27.5)	**(27.5)**	-	**(27.5)**
Employee share options lapsed	-	-	-	-	(1.3)	**(1.3)**	1.3	**-**
Total transactions with owners	**-**	**-**	**-**	**19.3**	**(24.9)**	**(5.6)**	**(25.7)**	**(31.3)**
At 31 December 2018	**9.4**	**2.7**	**(1,946.9)**	**19.3**	**17.5**	**(1,898.0)**	**244.3**	**(1,653.7)**

1. Merger reserve represents the excess of investment cost in entities that have been accounted for under merger accounting for common control combinations in accordance with AG5 (Accounting Guideline 5 issued by the HKICPA) against their share capital.
2. An amount of US$30.8 million (of which the Group's portion is of US$19.3 million) corresponding to 10% of net income of one of the Group's subsidiaries, Minera Las Bambas S.A., in 2017 has been appropriated and transferred to surplus reserve. According to the General Law of Companies in Peru, surplus reserve is constituted by transferring 10%, as a minimum, of the net income for each period, after deducting accumulated losses, until reaching an amount equivalent to a fifth of capital.

US$ MILLION	SPECIAL CAPITAL RESERVE	EXCHANGE TRANSLATION RESERVE	CASHFLOW HEDGE RESERVE	MERGER RESERVE[1]	SHARE-BASED PAYMENT RESERVE	TOTAL RESERVES	RETAINED PROFITS	TOTAL
At 1 January 2017	9.4	2.7	(4.3)	(1,946.9)	25.2	**(1,913.9)**	**81.1**	**(1,832.8)**
Profit for the year	-	-	-	-	-	**-**	**147.1**	**147.1**
Other comprehensive income								
Change in fair value of hedging derivatives	-	-	4.3	-	-	**4.3**	**-**	**4.3**
Total comprehensive income for the year	-	-	4.3	-	-	**4.3**	**147.1**	**151.4**
Employee long-term incentives	-	-	-	-	20.9	**20.9**	**-**	**20.9**
Employee share options exercised and vested	-	-	-	-	(2.2)	**(2.2)**	**-**	**(2.2)**
Employee share options lapsed	-	-	-	-	(1.5)	**(1.5)**	**1.5**	**-**
Total transactions with owners	-	-	-	-	17.2	**17.2**	**1.5**	**18.7**
At 31 December 2017	**9.4**	**2.7**	**-**	**(1,946.9)**	**42.4**	**(1,892.4)**	**229.7**	**(1,662.7)**

DISTRIBUTABLE RESERVES

At 31 December 2018, the Company does not have any distributable reserves available for distribution to Shareholders (2017: US$nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. BORROWINGS

	2018 US$ MILLION	2017 US$ MILLION
Non-current		
Loan from a related party (Note 30(d))	2,261.3	2,261.3
Bank borrowings, net	5,185.1	6,236.9
	7,446.4	**8,498.2**
Current		
Loan from a related party (Note 30(d))	100.0	-
Bank borrowings, net	585.0	485.5
Convertible redeemable preference shares ("CRPS")	-	208.8
	685.0	**694.3**
Analysed as:		
– Secured	5,842.1	6,800.8
– Unsecured	2,361.2	2,470.1
	8,203.3	**9,270.9**
Prepayments – finance charges	(71.9)	(78.4)
	8,131.4	**9,192.5**
Borrowings (excluding: prepayments) were repayable as follows:		
– Within one year	691.4	700.9
– More than one year but not exceeding two years	600.8	624.7
– More than two years but not exceeding five years	3,445.5	2,696.1
– More than five years	3,465.6	5,249.2
	8,203.3	9,270.9
Prepayments – finance charges	(71.9)	(78.4)
Total (Note 31.3)	**8,131.4**	**9,192.5**

An analysis of the carrying amounts of the total borrowings (excluding prepayments) by type and currency is as follows:

	2018 US$ MILLION	2017 US$ MILLION
US dollars		
– At floating rates	5,942.0	9,062.1
– At fixed rates[1]	2,261.3	208.8
	8,203.3	**9,270.9**

1. Includes borrowings under the US$2,261.3 million shareholder loan from Top Create, which, effective from 25 July 2018, moved from floating rates to fixed rates. Refer to Note 30(d).

The effective interest rate of borrowings during the year ended 31 December 2018 was 5.7% (2017: 5.2%) per annum.

The CRPS were issued on 5 August 2013 following the completion of certain conditions precedent, with a maturity date of 25 years from the date of issue. The CPRS represent 19.60% of the equity share capital of Topstart. The total consideration paid for the CRPS was US$338 million. The values of the liability component and the equity conversion component were determined at issuance of the CRPS. On 29 December 2017, Topstart exercised its unilateral right to issue an irrevocable redemption notice in relation to the CRPS. The redemption formally took effect on 8 January 2018. Upon redemption of the CRPS, the carrying amount of liability component of US$208.8 million was derecognised and the carrying amount of equity conversion component of US$142 million, which was included in non-controlling interests in the reserve, was reversed. The difference between the repayment amount of US$338 million and the sum of the carrying amounts liability and equity components was recognised in profit or loss.

As at 31 December 2018, certain borrowings of the Group were secured as follows:

(a) Approximately US$445.56 million (2017: US$470.0 million) from China Development Bank and Bank of China Limited (Sydney Branch) was substantively secured by the shares and assets of MMG Dugald River Pty Ltd only. Prior to 9 January 2018, this debt 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. On 9 January 2018, members of the Group, China Development Bank and Bank of China (Sydney Branch) entered into certain security release documentation that substantially removed this security.

(b) Approximately US$5,396.48 million (2017: US$6,330.9 million) from China Development Bank, 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. Prior to 31 October 2018, these borrowings were also guaranteed on a several basis by CMNH and CMCL, Guoxin International Investment Corporation Limited and CITIC Corporation Limited (formerly known as CITIC Limited) in proportion to the respective shareholdings of MMG SA, Elion Holdings Corporation Limited and Citic Metal Peru Investment Limited in the Las Bambas Joint Venture Group. On 31 October 2018, lenders agreed to release guarantees in relation to the Las Bambas Project Facility which, as at 31 December 2018, represented approximately US$4,697.35 million of this secured debt. The remaining US$699.0 million remained guaranteed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

RECONCILIATION OF BORROWINGS ARISING FROM FINANCING ACTIVITIES

US$ MILLION	NOTES	1 JANUARY 2018	FINANCING CASHFLOW	NON CASH CHANGES EFFECTIVE INTEREST	NON CASH CHANGES OTHER CHANGES	31 DECEMBER 2018
Loans from a related party	30(d)	2,261.3	100.0	-	-	2,361.3
Bank borrowings	25	6,722.4	(958.8)[1]	-	6.5[2]	5,770.1
Convertible redeemable preference shares	25	208.8	(338.0)[3]	-	129.2[4]	-
Accrued interest[5]	28	313.4	(730.3)	474.4	-	57.5
		9,505.9	**(1,927.1)**	**474.4**	**135.7**	**8,188.9**

US$ MILLION	NOTES	1 JANUARY 2017	FINANCING CASHFLOW	NON CASH CHANGES EFFECTIVE INTEREST	NON CASH CHANGES OTHER CHANGES	31 DECEMBER 2017
Loan from a related party	30(d)	2,261.3	-	-	-	2,261.3
Bank borrowings	25	7,786.4	(1,072.0)[1]	-	8.0[2]	6,722.4
Convertible redeemable preference shares	25	205.5	(16.8)	20.1	-	208.8
Accrued interest[5]	28	210.2	(370.1)	473.3	-	313.4
		10,463.4	**(1,458.9)**	**493.4**	**8.0**	**9,505.9**

1. Net bank borrowings financing cashflow is made up of repayments of and proceeds from borrowings in the Consolidated Statement of Cash Flows.
2. Other changes include the amortisation of capitalised prepayments on borrowings.
3. US$338.0 million of repayment represent the redemption payment of convertible redeemable preference shares.
4. Other changes include allocation of payment to the equity component of the CRPS (US$142.0 million), net of gain on revaluation of the liability (US$12.6 million) (Note 7).
5. Accrued interest includes both interest on external bank borrowings and related party borrowings.

26. PROVISIONS

	2018 US$ MILLION	2017 US$ MILLION
Non-current		
Employee benefits	9.3	8.1
Workers' compensation	0.5	0.6
Mine rehabilitation, restoration and dismantling(a)	370.5	630.4
Other non-current provisions	36.5	154.7
Total non-current provisions	**416.8**	**793.8**
Current		
Employee benefits	28.5	30.1
Workers' compensation	0.2	0.2
Mine rehabilitation, restoration and dismantling(a)	8.1	7.5
Other provisions	177.2	25.1
Total current provisions	**214.0**	**62.9**
Aggregate		
Employee benefits	37.8	38.2
Workers' compensation	0.7	0.8
Mine rehabilitation, restoration and dismantling(a)	378.6	637.9
Other provisions	213.7	179.8
Total provisions	**630.8**	**856.7**

(a) Mine rehabilitation, restoration and dismantling

	2018 US$ MILLION	2017 US$ MILLION
At 1 January	637.9	799.4
Additional provisions recognised	(3.5)	134.9
Payments made	(0.4)	(1.9)
Disposal of Sepon Mine (Note 6.1)	(256.2)	-
Disposal of Century Mine (Note 6.2)	-	(337.8)
Unwinding of discount on provisions	19.4	12.9
Exchange rate differences	(18.6)	30.4
At 31 December	**378.6**	**637.9**

Provision is made in these consolidated financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licences.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. OTHER FINANCIAL LIABILITES

	2018 US$ MILLION	2017 US$ MILLION
Non-current other financial liabilities		
Bank guarantee liabilities[1] (Note 6.2)	136.6	151.3
Other payables	-	9.0
Total	**136.6**	**160.3**

1. Bank guarantees liabilities associated with the disposal of the Century mine, for the benefit of New Century Resources Limited. Refer to Note 6.2 for more details.

28. TRADE AND OTHER PAYABLES

The analysis of the trade and other payables is as follows:

	2018 US$ MILLION	2017 US$ MILLION
Current trade and other payables		
Trade payables[1]		
Less than 6 months	228.0	187.9
More than 6 months	3.7	1.6
	231.7	189.5
Related party interest payable (Note 30(d))	41.9	301.2
Other payables and accruals[2]	234.5	239.4
Total (Notes 31.1 (c), (e) and 31.3)	**508.1**	**730.1**

1. As at 31 December 2018, the Group's trade payables included an amount of US$0.7 million (2017: US$0.1 million) (Note 30(d)), which was due to a related company of the Group. The ageing analysis of the trade payables is based on the creditors' invoice date.
2. As at 31 December 2018, the Group's other payables and accruals included an amount of US$15.6 million (2017: US$12.2 million) accrued interest on external bank borrowings.

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to net cash generated from operating activities is as follows:

	2018 US$ MILLION	2017 US$ MILLION
Profit for the year	**137.4**	**348.4**
Adjustments for:		
Finance income (Note 5)	(13.5)	(8.8)
Finance costs (Note 5)	539.9	542.3
Depreciation and amortisation expenses (Note 5)	1,077.2	933.0
(Gain)/loss on disposal of property, plant and equipment	(0.5)	2.3
Gain on disposal of subsidiaries (Note 6)	(27.9)	(178.6)
Gain on revaluation of convertible redeemable preference shares (Note 7)	(12.6)	-
Gain on disposal of royalty rights	(2.1)	
Loss on fair value change in commodity price contracts (Note 7)	-	24.4
Loss/(gain) on financial assets at fair value through profit or loss (Note 8)	2.4	(4.6)
Share-based payment	3.9	20.9
Changes in working capital (excluding certain movements due to the pre-commissioning of Dugald River):		
Inventories	16.3	9.1
Trade and other receivables	(178.6)	352.3
Trade payables and accruals, provisions and other payables	89.2	96.6
Tax assets and tax liabilities	100.4	232.5
Net cash generated from operating activities	**1,731.5**	**2,369.8**

(b) In the Consolidated Statement of Cash Flows, purchase of property, plant and equipment comprises:

	2018 US$ MILLION	2017 US$ MILLION
Total additions (Note 14)	331.0	797.8
Less: non-cash reduction/(additions)		
Transfer from provision for mine rehabilitation, restoration and dismantling[1]	22.1	(144.6)
Less: cash flows reported in "Interest and financing costs paid"		
Capitalised interest (Note 14)	(9.0)	(22.6)
Less: Others	(12.0)	36.3
Purchase of property, plant and equipment	**332.1**	**666.9**

1. The transfer from provision for mine rehabilitation, restoration and dismantling included the impact of exchange rate differences on foreign currency provisions for mine rehabilitation, restoration and dismantling for operating sites. Refer to note 26(a) for details.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by China Minmetals Non-ferrous Metals Co.,Ltd (CMN) through China Minmetals H.K. (Holdings) Limited (Minmetals HK), which is a subsidiary of CMN. As at 31 December 2018, 72.6% of the Company's shares are held by CMN and 27.4% are widely held by the public. The Directors consider the ultimate holding company is CMC, a stated-owned company incorporated in the People's Republic of China (PRC), of which CMN is a subsidiary.

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)

	2018 US$ MILLION	2017 US$ MILLION
Revenue		
Sales of non-ferrous metals[1,2]	1,686.5	1,689.5
Expenses		
Purchases of consumables[3]	(10.4)	(1.1)
Finance costs – net		
Finance costs (Note 9)	(115.8)	(106.6)

1. During the pre-commissioning phase in 2018, US$50.9 million (2017: US$12.9 million) sales of zinc concentrate were made by Dugald River Project to CMC Group, which was capitalised to property, plant and equipment in accordance with requirements under HKAS 16. Dugald River mine was commissioned on 1 May 2018.
2. The sales of non-ferrous metals include sales of US$113.5 million (2017: US$76.7 million) attributable to discontinued operation.
3. The purchases of consumables include purchases of US$0.9 million (2017: US$0.7 million) attributable to discontinued operation.

(b) Transactions and balances with other state-owned enterprises

During the year ended 31 December 2018, the Group's significant 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. These transactions were based on terms as set out in the underlying agreements, 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:

	2018 US$ MILLION	2017 US$ MILLION
Salaries and other short-term employee benefits	7.3	7.4
Short-term incentives and discretionary bonus	3.2	4.7
Long-term incentives	2.0	6.8
Post-employment benefits	0.3	0.1
	12.8	**19.0**

(d) Year-end balances

	2018 US$ MILLION	2017 US$ MILLION
Amounts payable to related parties		
Loan from Top Create[1] (Note 25)	2,261.3	2,261.3
Loan from Top Create – working capital facility[2] (Note 25)	100.0	-
Interest payable to Top Create[1] (Note 28)	41.9	301.2
Trade payable to CMN (Note 28)	0.7	0.1
	2,403.9	**2,562.6**
Amounts receivable from related parties		
Loan to Album Enterprises[3] (Note 31.3)	-	120.0
Trade receivables from CMN (Note 20)	140.5	102.5
	140.5	**222.5**

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 that agreement, a loan facility of up to US$2,262.0 million was made available to MMG SA, for a period of four years commencing on the date of the first drawdown of the loan. Interest accrued on the outstanding balance at LIBOR plus 3.1% per annum and the loan was repayable at the end of the four year term. On 29 December 2017, the parties to the facility entered into an amendment which extended its term from four years to eleven years, with loan repayments now falling due in three separate tranches in July 2021 (US$700.0 million), July 2023 (US$700.0 million), and July 2025 (originally due in one lump-sum in July 2018). In addition, interest payments were postponed with the first falling due in July 2018 (originally July 2017) and annually thereafter. Under the terms of the 2017 amendment and with effect from 25 July 2018, the existing single floating interest rate changed to a separate all-in fixed rate for each of the repayment tranches of between 3.70% and 4.50% per annum.
2. The loan amount from Top Create represents amounts drawn by MMG Finance Limited (a subsidiary of the Group) on 25 July 2018, pursuant to a revolving credit facility agreement dated 1 June 2017, between MMG Finance Limited and Top Create Limited. This facility is unsecured and matures in January 2020. It incurs interest at LIBOR plus 1.50%. Funds drawn under the facility as at 31 December 2018 were repaid in January 2019.
3. The loan to Album Enterprises as at 31 December 2017 (US$120.0 million) represents the amount drawn by Album Enterprises on 21 December 2017 pursuant to a facility agreement dated 20 December 2017, between MMG Finance Limited (a subsidiary of the Group) and Album Enterprises. Monies were advanced to Album Enterprises at LIBOR plus 1.50% per annum for a period of 14 days. The facility was limited to US$120.0 million. Album Enterprises fully repaid this loan in January 2018.

31. FINANCIAL AND OTHER RISK MANAGEMENT

31.1 FINANCIAL RISK FACTORS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(a) Commodity price risk

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

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

	2018			2017		
COMMODITY	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US$ MILLION	DECREASE PROFIT US$ MILLION	COMMODITY PRICE MOVEMENT	INCREASE PROFIT US$ MILLION	DECREASE PROFIT US$ MILLION
Copper	10%	37.5	(37.5)	10%	21.2	(21.2)
Zinc	10%	4.5	(4.5)	10%	0.7	(0.7)
Lead	10%	0.4	(0.4)	10%	0.6	(0.6)
Total		**42.4**	**(42.4)**		**22.5**	**(22.5)**

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and investment of surplus cash holdings. Deposits and borrowings at variable rates expose the Group to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents have been disclosed in Note 22 while the details of the Group's borrowings are set out in Note 25.

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. At 31 December 2018 and 2017, if the interest rate had increased/(decreased) by 100 basis points with all other variables held constant, post-tax profit and OCI would have changed as follows:

	2018				2017			
	-100 BASIS POINTS		+100 BASIS POINTS		-100 BASIS POINTS		+100 BASIS POINTS	
US$ MILLION	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI
Financial assets								
Cash and cash equivalents	(4.2)	-	4.2	-	(6.6)	-	6.6	-
Financial liabilities								
Borrowings	41.6	-	(41.6)	-	60.1	-	(60.1)	-
Total	**37.4**	**-**	**(37.4)**	**-**	**53.5**	**-**	**(53.5)**	**-**

During the development phase of the Dugald River project, interest on borrowings in relation to this project was capitalised into Property, Plant and Equipment, and did not impact profit/loss or equity of the Group so it was not included in the sensitivity analysis at 31 December 2017. The Dugald River project achieved commercial production on 1 May 2018, any interest on borrowings subsequent to this date is expensed to the profit or loss.

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

US$ MILLION	NOTES	US$	PEN	A$	HK$	OTHERS	TOTAL
At 31 December 2018							
Monetary assets							
Cash and cash equivalents	22	592.1	1.3	6.3	0.3	1.9	**601.9**
Trade receivables	20	285.5	-	-	-	-	**285.5**
Other receivables (including VAT Receivables)		51.3	146.4	5.8	-	25.5	**229.0**
Other financial assets	21	3.3	-	-	-	-	**3.3**
Financial liabilities							
Trade and other payables	28	(339.6)	(88.4)	(63.6)	-	(16.5)	**(508.1)**
Other financial liabilities	27	-	-	(136.6)	-	-	**(136.6)**
Borrowings	25	(8,131.4)	-	-	-	-	**(8,131.4)**
		(7,538.8)	**59.3**	**(188.1)**	**0.3**	**10.9**	**(7,656.4)**

US$ MILLION	NOTES	US$	PEN	A$	HK$	OTHERS	TOTAL
At 31 December 2017							
Monetary assets							
Cash and cash equivalents	22	928.3	1.4	1.9	1.6	2.9	**936.1**
Trade receivables	20	236.3	-	-	-	-	**236.3**
Other receivables (including VAT receivables)		76.6	99.4	3.5	-	8.4	**187.9**
Loan to a related party	30(d)	120.0	-	-	-	-	**120.0**
Other financial assets	21	17.8	-	-	-	-	**17.8**
Derivative financial assets		0.5	-	-	-	-	**0.5**
Financial liabilities							
Trade and other payables	28	(577.8)	(65.0)	(70.9)	-	(16.4)	**(730.1)**
Other financial liabilities	27	-	-	(160.3)	-	-	**(160.3)**
Borrowings	25	(9,192.5)	-	-	-	-	**(9,192.5)**
		(8,390.8)	**35.8**	**(225.8)**	**1.6**	**(5.1)**	**(8,584.3)**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Based on the Group's net monetary assets and financial liabilities excluding the derivative assets and liabilities as at 31 December 2018 and 2017, a movement of the US dollar against the principal non-functional currencies as illustrated in the table below, with all other variables held constant, would cause increase/(decrease) in post-tax profit and OCI as follows:

	2018				2017			
	WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR		WEAKENING OF US DOLLAR		STRENGTHENING OF US DOLLAR	
US$ MILLION	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI	INCREASE/ (DECREASE) IN NET PROFIT AFTER TAX	INCREASE/ (DECREASE) IN OCI
10% movement in Australian dollar (2017: 10%)	(13.2)	-	13.2	-	(15.8)	-	15.8	-
10% movement in Peruvian sol (2017: 10%)	4.0	-	(4.0)	-	2.4	-	(2.4)	-
Total	**(9.2)**	**-**	**9.2**	**-**	**(13.4)**	**-**	**13.4**	**-**

(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. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, the majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. The aging analysis of the trade receivables is provided in Note 20, and 100% of the balance is aged less than 6 months based on invoice date. The carrying amount of the Group's trade receivables at FVTPL as disclosed in Note 20 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

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. There has been no change in the estimation techniques or significant assumptions made during the year ended 31 December 2018 in assessing the ECL for these financial assets. The limits are set to minimise the concentration of risks and therefore mitigate the potential for financial loss through counterparty failure. Impairment is provided for where the credit risk is perceived to exceed the acceptable levels and there are concerns on recoverability of the relevant assets. The management of the Group considers cash and cash equivalent that are deposited with financial institutions with high credit rating to be low credit risk financial assets.

The Group's most significant customers are CMN, CITIC Metal Peru Investment Limited (CITIC Metal) and Trafigura Pte Ltd (Trafigura). The revenue earned from CMN, CITIC Metal and Trafigura are approximately 36.3%, 16.1% and 14.6% respectively (2017: CMN, CITIC Metal and Trafigura with approximately 41.4% and 18.2% and 13.5% respectively) of revenue for the year. The largest debtor as at 31 December 2018 is CMN with a balance of US$140.5 million (2017: CMN with US$102.5 million) and the five largest debtors accounted for 92.3% (2017: 88.4%) 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	**2018**	**2017**
Australia	6.1	-
America	2.6	2.5
Europe	48.8	12.3
Asia	228.0	221.5
	285.5	236.3

(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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

US$ MILLION	WITHIN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS	TOTAL
At 31 December 2018					
Financial assets					
Cash and cash equivalents (Note 22)	601.9	-	-	-	**601.9**
Trade receivables (Note 20)	285.5	-	-	-	**285.5**
Other receivables (including VAT receivables)	104.9	124.1	-	-	**229.0**
Other financial assets (Note 21)	3.3	-	-	-	**3.3**
Financial liabilities					
Trade and other payables (Note 28)	(508.1)	-	-	-	**(508.1)**
Other financial liabilities (Note 27)	-	-	-	(136.6)	**(136.6)**
Borrowings (including interest) (Note 25)	(1,064.9)	(940.0)	(4,209.2)	(4,156.6)	**(10,370.7)**
	(577.4)	**(815.9)**	**(4,209.2)**	**(4,293.2)**	**(9,895.7)**
At 31 December 2017					
Financial assets					
Cash and cash equivalents (Note 22)	936.1	-	-	-	**936.1**
Trade receivables (Note 20)	236.3	-	-	-	**236.3**
Other receivables (including VAT receivables)	130.2	57.7	-	-	**187.9**
Loan to a related party (Note 30(d))	120.0	-	-	-	**120.0**
Other financial assets (Note 21)	17.8	-	-	-	**17.8**
Derivative financial assets – (foreign exchange option contracts)	0.1	-	-	-	**0.1**
Derivative financial assets – gross settled					
– Inflows	11.6	-	-	-	**11.6**
– Outflows	(11.2)	-	-	-	**(11.2)**
Financial liabilities					
Trade and other payables (Note 28)	(730.1)	-	-	-	**(730.1)**
Other financial liabilities (Note 27)	-	(9.0)	-	(151.3)	**(160.3)**
Borrowings (including interest) (Note 25)	(1,198.1)	(951.9)	(3,475.8)	(6,063.3)	**(11,689.1)**
	(487.3)	**(903.2)**	**(3,475.8)**	**(6,214.6)**	**(11,080.9)**

Available debt facilities

As at 31 December 2018, the Group (excluding the Las Bambas Joint Venture Group) had available undrawn bank debt facilities of US$300.0 million (2017: US$380.0 million), represented by its undrawn revolving credit facility provided by ICBC, and available for general corporate purposes.

During 2018, the availability period under the US$550.0 million Dugald River facility provided by China Development Bank and Bank of China Limited (Sydney Branch) ended (2017: US$80.0 million was available but undrawn). No drawings were made under this facility during 2018 (2017: US$140 million).

As at 31 December 2018, the Las Bambas Joint Venture Group had available undrawn bank debt facilities of US$350.0 million (2017: US$350.0 million), represented by the existing US$350.0 million BOC Sydney Working Capital Revolving Facility, which is exclusively for the Las Bambas Joint Venture Group. This facility will mature in March 2019 and it is intended that it will be replaced during the first half of 2019. Management is in discussions with banks in relation to the replacement of the facility and has received a positive response from several potential counterparties.

31.2 SOVEREIGN RISK

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates, changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in Governments seeking alternative means of increasing their income, including increases to corporate tax, value added tax and royalty rates, coupled with increased audit and compliance activity. This is also coupled with Governments being unable to pay Valued Added Tax refunds to companies largely due to cashflow difficulties. The DRC Government during 2018 made changes to the 2002 Mining Code and Mining Regulations. These changes were enacted (2018 Mining Code), and will result in an increased tax burden on mining companies.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31.3 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents and short-term monetary financial assets and financial liabilities approximate their carrying values. The fair values of other monetary financial assets and liabilities are either based upon market prices, where a market exists, or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles.

The fair values of listed equity investments have been valued by reference to market prices prevailing at the reporting date.

The carrying values of trade and other receivables less impairment provisions and trade payables are a reasonable approximation of their fair values due to the short-term nature of trade receivables and payables. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

The carrying amounts and fair values of financial assets and liabilities by category and class at 31 December 2018 and 2017 are:

US$ MILLION	NOTES	AMORTISED COST (ASSETS)	FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	AMORTISED COST (LIABILITIES)	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
At 31 December 2018						
Financial assets						
Cash and cash equivalents	22	601.9	-	-	**601.9**	**601.9**
Trade receivables	20	-	285.5	-	**285.5**	**285.5**
Other receivables		206.8	22.2	-	**229.0**	**229.0**
Other financial assets	21	-	3.3	-	**3.3**	**3.3**
Financial liabilities						
Trade and other payables	28	-	-	(508.1)	**(508.1)**	**(508.1)**
Other financial liabilities	27	-	(136.6)	-	**(136.6)**	**(136.6)**
Borrowings	25	-	-	(8,131.4)	**(8,131.4)**	**(8,131.4)**
		808.7	**174.4**	**(8,639.5)**	**(7,656.4)**	**(7,656.4)**

US$ MILLION	NOTES	LOANS AND RECEIVABLES	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS	LIABILITIES AT AMORTISED COST	TOTAL CARRYING VALUE	TOTAL FAIR VALUE
At 31 December 2017						
Financial assets						
Cash and cash equivalents	22	936.1	-	-	**936.1**	**936.1**
Trade receivables	20	236.3	-	-	**236.3**	**236.3**
Other receivables		187.9	-	-	**187.9**	**187.9**
Loan to a related party	30(d)	120.0	-	-	**120.0**	**120.0**
Other financial assets	21	12.3	5.5	-	**17.8**	**17.8**
Financial liabilities						
Trade and other payables	28	-	-	(730.1)	**(730.1)**	**(730.1)**
Other financial liabilities	27	-	(151.3)	(9.0)	**(160.3)**	**(160.3)**
Borrowings	25	-	-	(9,192.5)	**(9,192.5)**	**(9,192.5)**
		1,492.6	**(145.8)**	**(9,931.6)**	**(8,584.8)**	**(8,584.8)**

31.4 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 2018 and 2017.

US$ MILLION	NOTES	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
At 31 December 2018					
Trade receivables	20	-	285.5	-	**285.5**
Financial assets at fair value through profit and loss – listed[1]	21	3.3	-	-	**3.3**
Other receivables[2]	20	-	-	22.2	**22.2**
Other financial liabilities[3]	27	-	-	(136.6)	**(136.6)**
		3.3	**285.5**	**(114.4)**	**174.4**
At 31 December 2017					
Financial assets at fair value through profit and loss – listed[1]	21	5.5	-	-	**5.5**
Other financial liabilities[3]	27	-	-	(151.3)	**(151.3)**
Derivatives used for cash flow hedging		-	0.5	-	**0.5**
		5.5	**0.5**	**(151.3)**	**(145.3)**

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. Reflecting the deferred consideration receivable associated with the disposal of the Sepon mine, refer to Note 6.1 for more details.
3. Reflecting the bank guarantees associated with the disposal of the Century mine. Refer to Note 6.2 for more details.

There were no transfers between levels 1, 2 and 3 during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31.5 CAPITAL RISK MANAGEMENT

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

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

MMG GROUP	2018 US$ MILLION	2017 US$ MILLION
Total borrowings (excluding prepaid finance charges)[1] (Note 25)	8,203.3	9,270.9
Less: cash and cash equivalents (Note 22)	(601.9)	(936.1)
Net debt	**7,601.4**	**8,334.8**
Total equity	2,896.3	2,971.8
Net debt + Total equity	**10,497.7**	**11,306.6**
Gearing ratio	**0.72**	**0.74**

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

Under the terms of relevant debt facilities held by the Group, the gearing ratio for covenant compliance purposes is calculated exclusive of US$2,261.3 million (2017: 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 Group. For the purpose of the above, it has however been included as borrowings.

32. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2018 is set out below:

	FOR THE YEAR ENDED 31 DECEMBER 2018					
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 GAO Xiaoyu[4]	94	694	46	554	-	1,388
Mr JIAO Jian[5]	68	1,135	23	-	(696)	530
Mr XU Jiqing	-	617	65	429	500	1,611
Mr LEUNG Cheuk Yan	160	-	-	-	-	160
Dr Peter William CASSIDY	167	-	2	-	-	169
Ms Jennifer Anne Seabrook	173	-	2	-	-	175
Professor PEI Ker Wei	160	-	-	-	-	160
GUO Wenqing (Chairman)	-	-	-	-	-	-
Mr. ZHANG Shuqiang	151	-	1	-	-	152
	973	**2,446**	**139**	**983**	**(196)**	**4,345**

1. Other benefits include statutory superannuation, pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.
2. Short-term incentive (STI) plans include at-risk, performance-linked remuneration, STI plans and discretionary bonuses.

   The STI plan is an annual cash award determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs, and operational safety.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. All employees on long-term employment contracts are eligible to participate in a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.
3. Long-term incentive (LTI) plans are performance-linked remuneration LTI plans, and are mostly consist of 2016, 2017 and 2018 Long Term Incentive Equity plans. The 2016 Long Term Incentive Equity (LTIE) plan is Share Option Scheme vesting at the conclusion of three performance years. The 2017 and 2018 LTIE plan are Performance Awards Scheme vesting at the conclusion of three performance years. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. The LTI plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome. The values attributed to the LTI plans are subject to Board approval at end of the vesting period.
4. Mr Gao Xiaoyu was re-designated from a Non-executive Director to an Executive Director and was appointed as Chief Executive Officer on 1 August 2018.
5. Mr Jiao Jian was re-designated from an Executive Director to a Non-executive Director and resigned as Chief Executive Officer on 1 August 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The remuneration of every Director for the year ended 31 December 2017 is set out below:

	FOR THE YEAR ENDED 31 DECEMBER 2017					
NAME OF DIRECTOR	FEES US$'000	SALARIES US$'000	OTHER BENEFITS[1] US$'000	SHORT-TERM INCENTIVE PLANS[2] US$'000	LONG-TERM INCENTIVE PLANS[3] US$'000	TOTAL US$'000
GUO Wenqing (Chairman)[4]	-	-	-	-	-	-
Mr JIAO Jian[5]	61	1,460	19	1,999	696	4,235
Mr Andrew Gordon MICHELMORE[5]	-	941	533	-	4,391	5,865
Mr XU Jiqing	-	621	97	619	674	2,011
Mr GAO Xiaoyu	161	-	2	-	-	163
Mr LEUNG Cheuk Yan	160	-	-	-	-	160
Dr Peter William CASSIDY	167	-	2	-	-	169
Ms Jennifer Anne SEABROOK	174	-	2	-	-	176
Professor PEI Ker Wei	160	-	1	-	-	161
Mr ZHANG Shuqiang[6]	128	-	-	-	-	128
	1,011	**3,022**	**656**	**2,618**	**5,761**	**13,068**

1. Other benefits include statutory superannuation, pension contributions and non-monetary benefits. Not all benefits apply to each executive; benefits are applied variably based on contractual obligations.
2. Short-term incentive (STI) plans include at-risk, performance-linked remuneration, STI plans, discretionary bonuses, and project related bonuses including those paid in relation to the progress of Dugald River project.

   The STI plan is an annual cash award determined by performance against Group financial and safety targets and individual performance. For operational roles, additional components include performance targets related to production rates, unit costs, and operational safety.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. All employees on long-term employment contracts are eligible to participate in a STI plan. The incentive plans' provision for STIs was re-assessed at the reporting date.
3. Long-term incentive (LTI) plans are performance-linked remuneration LTI plans, and are mostly consist of 2015, 2016 and 2017 Long Term Incentive Equity plans.

   The 2016 Long Term Incentive Equity (LTIE) plan is Share Option Scheme vesting at the conclusion of three performance years. The 2015 and 2017 LTIE plan are Performance Awards Scheme vesting at the conclusion of three performance years. The vesting of LTI plans is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including amongst others, achievement of financial, resources growth and market-related performance targets at the conclusion of the respective vesting period.

   Participation in the at-risk incentive plans is offered to participants as a percentage of their fixed remuneration according to seniority and their ability to influence the performance of the Group. The LTI plans are limited to senior managers invited to participate by the Board. The incentive plans' provision for LTI plans was re-assessed at the reporting date. The values attributed to the LTI plans are estimated values based on an assessment of the likely outcomes for each LTI plans and may be adjusted based on the actual outcome. The values attributed to the LTI plans are subject to Board approval at end of the vesting period.
4. Appointed as a Non-executive Director and Chairman on 15 February 2017.
5. Mr Jiao Jian resigned as a Non-executive Director and Chairman on 15 February 2017, appointed as Chief Executive Officer and Executive Director, replacing Andrew Gordon Michelmore who retired on 15 February 2017.
6. Appointed as a Non-executive Director of the Company on 15 February 2017.

(b) Five highest-paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one Director (2017: 3) whose emoluments are reflected in the analysis presented above and four (2017: 2) 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:

	2018 US$'000	2017 US$'000
Salaries and other short-term employee benefits	3,914	5,395
Short-term incentives and discretionary bonus	2,341	4,138
Long-term incentives	2,439	6,735
Post-employment benefits	264	69
	8,958	**16,337**

During the year, Guo Wenqing waived emoluments and no emoluments were paid or payable by the Group to the Directors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management remuneration by band

The emoluments fell within the following bands:

	NUMBER OF INDIVIDUALS	
	2018	**2017**
HK$4,000,001 - HK$4,500,000 (US$510,390-US$574,190)	1	-
HK$9,000,001 - HK$9,500,000 (US$1,148,380-US$1,212,180)	1	-
HK$10,500,001 - HK$11,000,000 (US$1,339,780-US$1,403,580)	1	-
HK$11,000,001 - HK$11,500,000 (US$1,403,580-US$1,467,380)	1	-
HK$12,500,001 - HK$13,000,000 (US$1,594,980-US$1,658,780)	1	-
HK$13,500,001 - HK$14,000,000 (US$1,722,580– US$1,786,380)	1	1
HK$15,000,001 - HK$15,500,000 (US$1,913,970-US$1,977,770)	1	-
HK$15,500,001 - HK$16,000,000 (US$1,977,770-US$2,041,570)	-	2
HK$17,000,001 - HK$17,500,000 (US$2,169,170-US$2,232,970)	-	1
HK$17,500,001 - HK$18,000,000 (US$2,232,970-US$2,296,770)	1	-
HK$32,500,001 - HK$33,000,000 (US$4,146,940-US$4,210,740)	-	1
HK$45,500,001 - HK$46,000,000 (US$5,805,720-US$5,869,520)	-	1
	8	**6**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. LONG-TERM INCENTIVE EQUITY PLANS

SHARE OPTION SCHEME

Pursuant to share option scheme adopted at the extraordinary general meeting of the Company held on 26 March 2013 (2013 Share Option Scheme), options were granted to eligible participants under 2013 Options and 2016 Options. As at 31 December 2018, there were a total of 160,333,869 options outstanding granted under 2013 Options and 2016 Options (2017: 193,270,805), of which 27,859,828 (2017: 55,448,264) were exercisable. The outstanding options represented approximately 1.99% (2017: 2.43%) of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2018, the movements in the number of options granted under the 2013 Options and 2016 Options were as follows:

(i) 2013 Options

On 9 April 2013, 13 December 2016 and 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2013 Options). There were 27,859,828 options outstanding as at 31 December 2018, which represented approximately 0.35% of the total number of issued shares of the Company as at 31 December 2018. During the year ended 31 December 2018, the movements of the 2013 Options were as follows:

				NUMBER OF OPTIONS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1,2,3]	EXERCISE PRICE PER[2,4] SHARE (HK$)	EXERCISE PERIOD[2,5]	BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR	LAPSED DURING THE YEAR[6]	BALANCE AS AT 31 DECEMBER 2018
Directors									
XU Jiqing	15 December 2016	2.51	End of vesting period to 8 April 2020	2,626,701	-	-	-	-	2,626,701
Employees of the Group	9 April 2013, 13 December 2016, and 15 December 2016	2.51	End of vesting period to 8 April 2020	52,821,563	-	(27,588,359)	-	(77)	25,233,127
Total Group				**55,448,264**	**-**	**(27,588,359)**	**-**	**(77)**	**27,859,828**

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

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

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

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

The estimated fair value of the options granted on 9 April 2013 was approximately US$0.1356 each, estimated as at the date of grant by using the Black-Scholes option-pricing model.

The value of the share options was subject to a number of assumptions and limitations of the option-pricing model, including a risk-free interest rate, option price volatility, expected life of the option, market price of the Company's shares and expected dividend. The risk-free interest rate was 0.68%; the expected volatility used in calculating the value of options was 46% and the expected dividend was assumed to be nil.

The 2013 Options vested on 9 April 2016 with an overall outcome of 66.67% of the target values. The validity period of the options is seven years from the date of grant to 8 April 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

(ii) 2016 Options

On 15 December 2016, the Company granted options to the eligible participants pursuant to the 2013 Share Option Scheme (2016 Options). There were 132,474,041 options outstanding as at 31 December 2018, which represented approximately 1.64% of the total number of issued shares of the Company as at 31 December 2018.

During the year ended 31 December 2018, the movements of the 2016 Options were as follows:

				NUMBER OF OPTIONS[4]					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1]	EXERCISE PRICE PER SHARE (HK$)	EXERCISE PERIOD[2]	BALANCE AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR	LAPSED DURING THE YEAR[3]	BALANCE AS AT 31 DECEMBER 2018
Directors									
XU Jiqing	15 December 2016	2.29	4 years after date of vesting	3,493,261	-	-	-	-	3,493,261
Employees of the Group	15 December 2016	2.29	4 years after date of vesting	134,329,280	-	-	-	(5,348,500)	128,980,780
				137,822,541	**-**	**-**	**-**	**(5,348,500)**	**132,474,041**

1. The closing price of the shares of the Company immediately before the date on which the options were granted on 15 December 2016 was HK$2.25 per share.
2. The vesting and performance period of the options is three years from 1 January 2016 to 31 December 2018, with 60% of vested options exercisable from 1 January 2019 and 40% of vested options subject to a 12-month exercise deferral period, such options being exercisable after 1 January 2020. The vesting of options is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market related performance targets during the vesting period. Options vest on a percentage basis based on the target performance level achieved.
3. Options lapsed due to cessation of employment.
4. The total number of vested options is subject to Board approval at the end of the vesting period. No options were cancelled during the year.

During the year ended 31 December 2017, the movements of the 2016 Options 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 2017	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	TRANSFERRED DURING THE YEAR[3]	LAPSED DURING THE YEAR[4]	BALANCE AS AT 31 DECEMBER 2017
Directors									
Andrew MICHELMORE	15 December 2016	2.29	4 years after date of vesting	25,400,000	-	-	(25,400,000)	-	-
XU Jiqing	15 December 2016	2.29	4 years after date of vesting	3,493,261	-	-	-	-	3,493,261
Employees of the Group	15 December 2016	2.29	4 years after date of vesting	120,255,338	-	-	-	(11,326,058)	108,929,280
Other[3]	15 December 2016	2.29	4 years after date of vesting	-	-	-	25,400,000	-	25,400,000
				149,148,599	**-**	**-**	**-**	**(11,326,058)**	**137,822,541**

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

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$nil (2017: US$2.5 million) in relation to the 2016 Options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

PERFORMANCE AWARDS

Pursuant to the performance awards granted under the Long Term Incentive Equity Plan, performance awards were granted to eligible participants under 2015 Performance Awards, 2017 Performance Awards and 2018 Performance Awards. As at 31 December 2018, there were a total of 53,178,005 performance awards outstanding granted under the 2017 Performance Awards and 2018 Performance Awards, which represented approximately 0.67% of the total number of issued shares of the Company as at that date.

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 no performance awards outstanding as at 31 December 2018 (2017: 72,129,935).

During the year ended 31 December 2018, the movements of the 2015 Performance Awards were as follows:

		NUMBER OF PERFORMANCE AWARDS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1,2]	BALANCES AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	VESTED DURING THE YEAR	TRANSFERRED DURING THE YEAR	LAPSED DURING THE YEAR[3]	BALANCE AS AT 31 DECEMBER 2018
Directors							
XU Jiqing	19 May 2015 and 13 December 2016	1,880,100	-	(1,880,100)	-	-	-
Employees of the Group	19 May 2015 and 13 December 2016	70,249,835	-	(59,395,871)	-	(10,853,964)	-
Total		**72,129,935**	**-**	**(61,275,971)**	**-**	**(10,853,964)**	**-**

1. The vesting and performance period of the performance awards is three years from 1 January 2015 to 31 December 2017. The vesting of performance awards 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 vested on a percentage basis based on the performance conditions achieved. Portion of the vested performance awards are subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration. Achievement of Company and individual performance conditions has resulted in 100% of the 2015 Performance Awards granted to participants vesting on 8 March 2018.
2. Pursuant to the terms of the Long Term Incentive Equity Plan, which governs (among others) the performance awards, the number of shares issuable upon exercise of 2015 Performance Awards was adjusted as a result of the Rights Issue with effect from 13 December 2016. As a result, some additional performance awards were granted on 13 December 2016.
3. Performance awards lapsed due to cessation of employment.

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

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

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

The performance awards are granted for nil cash consideration. The 2015 Performance Award vested on 8 March 2018 with an overall outcome of 100% of the target values. Portion of the vested performance awards are subject to holding locks for various periods of up to three years after vesting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2017 Performance Awards

On 31 August 2017, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2017 Performance Awards). There were 43,905,449 performance awards outstanding as at 31 December 2018, representing approximately 0.55% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2018, the movements of the 2017 Performance Awards were as follows:

		NUMBER OF PERFORMANCE AWARDS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT1	BALANCES AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	VESTED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR	BALANCE AS AT 31 DECEMBER 2018
Directors							
JIAO Jian	31 August 2017	7,333,333	-	-	-	(7,333,333)[2]	-
XU Jiqing	31 August 2017	1,476,000	-	-	-	-	1,476,000
Employees of the Group	31 August 2017	45,137,559	-	-	-	(2,708,110)[3]	42,429,449
Total		**53,946,892**	**-**	**-**	**-**	**(10,041,443)**	**43,905,449**

1. The vesting and performance period of the performance awards is three years from 1 January 2017 to 31 December 2019. The time of vesting will be on or around April 2020. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting. The performance awards are granted for nil cash consideration.
2. On 1 August 2018, Mr Jiao Jian resigned as the CEO and was re-designated from an Executive Director to a Non-executive Director of the Company. His interests in the 7,333,333 performance awards ceased on the same day.
3. Performance awards lapsed due to cessation of employment.

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

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

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

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 31 August 2017 was approximately US$0.4434 each, estimated as at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.34%; the expected volatility used in calculating the value of performance awards was 46.78% and the expected dividend was assumed to be nil.

During the year, the Group recognised a share award expense of approximately US$2.0 million (2017: US$5.1 million) in relation to the 2017 Performance Awards.

2018 Performance Awards

On 29 June 2018, the Company granted performance awards to the eligible participants pursuant to the Long Term Incentive Equity Plan (2018 Performance Awards). There were 9,272,556 performance awards outstanding as at 31 December 2018, representing approximately 0.12% of the total number of issued shares of the Company as at that date.

During the year ended 31 December 2018, the movements of the 2018 Performance Awards were as follows:

		NUMBER OF PERFORMANCE AWARDS					
CATEGORY AND NAME OF PARTICIPANT	DATE OF GRANT[1]	BALANCES AS AT 1 JANUARY 2018	GRANTED DURING THE YEAR	VESTED DURING THE YEAR	CANCELLED DURING THE YEAR	LAPSED DURING THE YEAR[2]	BALANCE AS AT 31 DECEMBER 2018
Directors							
XU Jiqing	29 June 2018	-	705,833	-	-	-	705,833
Employees of the Group	29 June 2018	-	8,811,776	-	-	(245,053)	8,566,723
Total		**-**	**9,517,609**	**-**	**-**	**(245,053)**	**9,272,556**

1. The vesting and performance period of the performance awards is three years from 1 January 2018 to 31 December 2020. The time of vesting will be on or around June 2021. The vesting of performance awards is conditional upon the achievement of certain performance conditions as set out in the respective letters of grant, including among others, achievement of resources growth and market-related performance targets during the vesting period. Performance awards vest on a percentage basis based on the threshold and target performance levels achieved. Portions of the vested performance awards will be subject to holding locks for various periods of up to two years after vesting. The performance awards are granted for nil cash consideration.
2. Performance awards lapsed due to cessation of employment.

The performance awards are granted for nil cash consideration. The vesting of the performance awards will be subject to the achievement by each participant of certain performance conditions, among other things, independently assessed measures of achievement of non-market based conditions such as resources growth and financial and market based conditions such as total shareholder return. Portions of the vested performance awards will be subject to holding locks for various periods of up to three years after vesting.

The estimated fair value of the performance awards granted on 29 June 2018 was approximately US$0.6572 each, estimated as at the date of grant by using Monte Carlo Simulations (for market based conditions) and reference to market price of the Company's shares at the date of grant.

The value of the performance awards was subject to a number of assumptions and limitations of the performance awards-pricing model, including a risk-free interest rate, price volatility, expected life of the performance awards, market price of the Company's shares and expected dividend. The risk-free interest rate was 1.34%; the expected volatility used in calculating the value of performance awards was 46.78% and the expected dividend was assumed to be nil.

During the year, the Group recognised a share award expense of approximately US$1.9 million in relation to the 2018 Performance Awards.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34. 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:

	2018 US$ MILLION	2017 US$ MILLION
Within one year	11.6	13.5
Over one year but not more than five years	25.4	22.4
More than five years	0.8	-
	37.8	**35.9**

(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:

	2018 US$ MILLION	2017 US$ MILLION
Property, plant and equipment		
Within one year	84.6	56.2
Over one year but not more than five years	24.3	29.1
	108.9	**85.3**
Intangible assets		
Within one year	0.1	-
	0.1	**-**

	2018 US$ MILLION	2017 US$ MILLION
Aggregate **Property, plant and equipment and intangible assets**		
Contracted but not provided for	109.0	85.3
	109.0	**85.3**

35. 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$351.1 million as at 31 December 2018 (2017: US$412.7 million), which include certain bank guarantees amounting to A$193.7 million (equivalent to US$136.6 million) associated with the disposal of the Century mine, for the benefit of New Century Resources Limited. Refer to Note 6.2 for more details.

As at 31 December 2017 and included in the above figures were US$139.8 million of bank guarantees on issue under a US$380.0 million secured bank guarantee facility, provided to and for the exclusive use of Minera Las Bambas S.A. (MLB Secured Bank Guarantee Facility). The MLB Secured Bank Guarantee Facility was provided by ICBC, and shared in the same security package as the Las Bambas Project and Acquisition facilities. ICBC confirmed the cancellation of this facility, with effect from December 2018.

CONTINGENT LIABILITIES – TAX RELATED CONTINGENCIES

The Group has operations in multiple countries, each with its own taxation regime. Application of tax laws and interpretation of tax laws may be uncertain in some regards and requires judgement to assess risk and estimate outcomes, particularly in relation to the application of income taxes and withholding tax to the Group's cross-border operations and transactions. The evaluation of tax risks considers both assessments received and potential sources of challenge from tax authorities. The status of proceedings for these matters will impact the ability to determine the potential exposure and in some cases, it may not be possible to determine a range of possible outcomes or a reliable estimate of the potential exposure.

The nature of the Group's activities triggers various taxation obligations including corporation tax, royalties, withholding taxes, transfer pricing arrangements with related parties, resource and production based taxes and employment related taxes. The Group is currently subject to a range of audits and reviews by taxation authorities in Australia, Peru, Zambia and Democratic Republic of Congo. The timing of resolution and potential economic outflow of the unresolved tax matters are uncertain. Tax matters with uncertain outcomes arise in the normal course of business and occur due to changes in tax law, changes in interpretation of tax law, periodic challenges and disagreements with tax authorities, and legal proceedings. The Group continues to proactively cooperate with the relevant taxation authorities and to actively manage these audits and reviews. Where appropriate, the Group has filed appeals with either the relevant tax authority or the tax court. For those uncertain tax matters the Group presently has, they are either incapable of being measured reliably or there is remote possibility of economic outflow at the reporting date. As such, no provision has been reflected in the consolidated financial statements for such tax matters.

Where income tax and withholding tax obligations have been assessed and deemed to have probable future economic outflows capable of reliable measurement, the Group has provided for these as a provision.

36. EVENTS AFTER THE END OF THE REPORTING PERIOD

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

37. COMPANY STATEMENT OF FINANCIAL POSITION AND RESERVES

(a) Company Statement of Financial Position

		AS AT 31 DECEMBER	
	NOTE	2018 US$ MILLION	2017 US$ MILLION
ASSETS			
Non-current assets			
Interests in subsidiaries		2,735.3	2,735.3
		2,735.3	**2,735.3**
Current assets			
Other receivables		0.2	0.3
Loan to a subsidiary		7.0	-
Cash and cash equivalents		0.4	1.6
		7.6	**1.9**
Total assets		**2,742.9**	**2,737.2**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		2,910.8	2,874.1
Reserves and accumulated losses	(b)	(1,063.4)	(988.3)
Total equity		**1,847.4**	**1,885.8**
LIABILITIES			
Non-current liabilities			
Loans from subsidiaries		895.3	846.7
		895.3	**846.7**
Current liabilities			
Other payables		0.2	0.1
Loans from subsidiaries		-	4.6
		0.2	**4.7**
Total liabilities		**895.5**	**851.4**
Net current assets/(liabilities)		**7.4**	**(2.8)**
Total equity and liabilities		**2,742.9**	**2,737.2**

GAO XIAOYU
CEO AND EXECUTIVE DIRECTOR

XU JIQING
EXECUTIVE DIRECTOR

(b) Company reserves and accumulated losses

US$ MILLION	SPECIAL CAPITAL RESERVE	SHARE – BASED PAYMENT RESERVE	ACCUMULATED LOSSES	TOTAL
At 1 January 2017	9.4	25.2	(943.7)	**(909.1)**
Loss and total comprehensive expenses for the year	-	-	(97.9)	**(97.9)**
Employee long-term incentives	-	20.9	-	**20.9**
Employee share options exercised and vested	-	(2.2)	-	**(2.2)**
Employee share options lapsed	-	(1.5)	1.5	**-**
At 31 December 2017	**9.4**	**42.4**	**(1,040.1)**	**(988.3)**
Loss and total comprehensive expenses for the year	-	-	(51.5)	**(51.5)**
Employee long-term incentives	-	3.9	-	**3.9**
Employee share options exercised and vested	-	(27.5)	-	**(27.5)**
Employee share options lapsed	-	(1.3)	1.3	**-**
At 31 December 2018	**9.4**	**17.5**	**(1,090.3)**	**(1,063.4)**

FIVE-YEAR FINANCIAL SUMMARY

US$ MILLION	2018[1, 3]	2017[1, 3]	2016[2]	2015[2]	2014[2]
Results – the Group					
Revenue	3,670.2	3,751.3	2,488.8	1,950.9	2,479.8
EBITDA	**1,751.2**	**2,090.8**	**949.2**	**420.9**	**780.8**
EBIT	**833.1**	**1,272.2**	**264.7**	**(1,125.5)**	**243.7**
Finance income	6.8	6.0	3.3	3.8	3.3
Finance costs	(533.7)	(537.6)	(316.3)	(88.8)	(82.7)
Profit/(loss) before income tax	306.2	740.6	(48.3)	(1,210.5)	164.3
Income tax (expense)/credit	(169.6)	(394.5)	(50.4)	161.8	(65.1)
Profit/(loss) for the year	**136.6**	**346.1**	**(98.7)**	**(1,048.7)**	**99.2**
Attributable to:					
Equity holders of the Company	68.3	147.1	(152.7)	(1,026.5)	103.8
Non-controlling interests	69.1	201.3	54.0	(22.2)	(4.6)
	137.4	**348.4**	**(98.7)**	**(1,048.7)**	**99.2**

1. The financial results of continuing operations exclude the results of Sepon mine, as it has been classified as a discontinued operation for presentation purpose from 2017 onwards.
2. The financial results of continuing operations for these historical financial years include the results of Sepon mine, as it was not classified as a discontinued operation.
3. The Group has adopted the new standards (HKFRS9 and HKFRS15) in 2018, the information presented from 2014 to 2017 may not be comparable.

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	2018	2017	2016	2015	2014
Results – current operations					
EBIT	833.1	1,272.2	264.7	(1,125.5)	243.7
Significant non-recurring items	-	(178.6)	-	897.0	-
Underlying EBIT[1]	**833.1**	**1,093.6**	**264.7**	**(228.5)**	**243.7**

1. Underlying EBIT represents EBIT adjusted for significant non-recurring items (before tax).

US$ MILLION	2018	2017	2016	2015	2014
Assets and liabilities – the Group					
Property, plant and equipment	10,897.7	11,982.1	12,084.3	11,873.0	11,100.8
Intangible assets	596.0	622.3	620.6	628.6	839.0
Inventories	279.7	348.0	375.5	342.9	332.9
Trade and other receivables	644.4	506.6	915.7	801.2	620.4
Loan to a related party	-	120.0	95.0	-	80.0
Cash and cash equivalents	601.9	936.1	552.7	598.3	251.2
Other financial assets	3.3	17.8	12.7	27.3	39.1
Derivative financial assets	-	0.5	16.7	-	-
Current income tax assets	54.3	55.7	5.5	1.4	28.6
Deferred income tax assets	178.1	200.5	291.1	368.5	173.6
Assets of disposal group classified as held for sale	-	-	260.2	18.8	24.4
Total assets	**13,255.4**	**14,789.6**	**15,230.0**	**14,660.0**	**13,490.0**
Capital and reserves attributable to equity holders of the Company	1,257.1	1,211.4	1,030.5	666.6	1,686.3
Non-controlling interests	1,639.2	1,760.4	1,559.1	1,508.6	1,288.3
Total equity	**2,896.3**	**2,971.8**	**2,589.6**	**2,175.2**	**2,974.6**
Borrowings	8,131.4	9,192.5	10,253.2	10,263.1	8,208.9
Trade and other payables	508.1	730.1	652.6	527.6	573.4
Other liabilities	136.6	160.3	5.8	0.3	-
Current income tax liabilities	18.8	15.2	3.1	31.8	71.9
Provisions	630.8	856.7	972.9	913.5	886.8
Deferred income tax liabilities	933.4	863.0	683.0	744.0	769.9
Liabilities of disposal group classified as held for sale	-	-	69.8	4.5	4.5
Total liabilities	**10,359.1**	**11,817.8**	**12,640.4**	**12,484.8**	**10,515.4**
Total equity and liabilities	**13,255.4**	**14,789.6**	**15,230.0**	**14,660.0**	**13,490.0**

GLOSSARY

2013 Options	as described in Note 33 to the Financial Statements on page 158 of this Annual Report
2015 Performance Awards	as described in Note 33 to the Financial Statements on page 162 of this Annual Report
2016 Options	as described in Note 33 to the Financial Statements on page 160 of this Annual Report
2017 Performance Awards	as described in Note 33 to the Financial Statements on page 164 of this Annual Report
2018 Performance Awards	as described in Note 33 to the Financial Statements on page 165 of this Annual Report
A$	Australian dollar, the lawful currency of Australia
AGM	annual general meeting of the Company
Album Enterprises	Album Enterprises Limited, a wholly owned subsidiary of CMN
Album Resources	Album Resources Private Limited, a wholly owned subsidiary of the Company
associate(s)	has the meaning ascribed to it under the Listing Rules
ASX	Australian Securities Exchange
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
Board Charter	the Board charter of the Company
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China	has the same meaning as PRC
CITIC	CITIC Metal Peru Investment Limited
CMC	China Minmetals Corporation, a state-owned enterprise incorporated under the laws of the PRC
CMC Group	CMC and its subsidiaries
CMCL	China Minmetals Corporation Limited, a subsidiary of CMC
CMN	China Minmetals Non-ferrous Metals Company Limited, a subsidiary of CMC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a subsidiary of CMC
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	MMG Limited, a company incorporated in Hong Kong, 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
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
EGM	extraordinary general meeting of the Company
Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Executive Officer, Chief Financial Officer, Executive General Manager – Marketing and Risk, Executive General Manager – Stakeholder Relations, Executive General Manager – Business Support, Executive General Manager Operations – Africa, Australia and Asia and Executive General Manager Operations - Americas
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
Group	the Company and its subsidiaries
HK$	Hong Kong dollar, the lawful currency of Hong Kong
HKAS	Hong Kong Accounting Standards (see definition of HKFRS)
HKFRS	Hong Kong Financial Reporting Standards, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)
HKICPA	the Hong Kong Institute of Certified Public Accountants
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
Independent Shareholders	the shareholders excluding Minmetals HK
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 Group	MMG South America Management Company Limited (also referred to as MMG SAM), and its subsidiaries
Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
LOA	Life of Asset
LXML	Lang Xang Minerals Limited, a non-wholly owned subsidiary of the Company
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 in Hong Kong and an indirectly owned subsidiary of CMC
MLB	Minera Las Bambas S.A., a non-wholly owned subsidiary of MMG and the owner of the Las Bambas mine
MMG or MMG Limited	has the same meaning as the Company
MMG Dugald River	MMG Dugald River Pty Ltd, a wholly owned subsidiary of the Company
MMG Laos Holdings	MMG Laos Holdings Limited, a wholly owned subsidiary of the Company
MMG Management	MMG Management Pty Ltd, a wholly owned subsidiary of the Company
MMG SA	MMG South America Company Limited, a wholly owned subsidiary of the Company
MMG SAM	MMG South America Management Company Limited, a non-wholly owned subsidiary of the Company
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Ore Reserves	as defined under the JORC Code, the economically mineable part of a Measured and /or Indicated Mineral Resource
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
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 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
VAT	value added tax

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
GUO Wenqing
(Non-executive Director)

Executive Directors
GAO Xiaoyu
(Chief Executive Officer)
XU Jiqing
(Executive General Manager – Marketing and Risk)

Non-executive Directors
JIAO Jian
ZHANG Shuqiang

Independent Non-executive Directors
Peter CASSIDY
LEUNG Cheuk Yan
Jennifer SEABROOK
PEI Ker Wei

AUDIT COMMITTEE

Chair
Jennifer SEABROOK

Members
JIAO Jian
ZHANG Shuqiang
LEUNG Cheuk Yan
PEI Ker Wei

GOVERNANCE AND NOMINATION COMMITTEE

Chairman
LEUNG Cheuk Yan

Members
JIAO Jian
Peter CASSIDY

REMUNERATION COMMITTEE

Chairman
Peter CASSIDY

Members
JIAO Jian
ZHANG Shuqiang
Jennifer SEABROOK
PEI Ker Wei

RISK MANAGEMENT COMMITTEE

Chairman
PEI Ker Wei

Members
JIAO Jian
Peter CASSIDY
LEUNG Cheuk Yan

DISCLOSURE COMMITTEE

Members
GAO Xiaoyu
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

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Hong Kong
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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
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.

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SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 1208

Australian Securities Exchange
Stock Code: MMG

ADDITIONAL SHAREHOLDER INFORMATION

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

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MMG

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