MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)

(HKEX STOCK CODE: 1208)
(ASX STOCK CODE: MMG)

ANNOUNCEMENT ON ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Directors (Board) of MMG Limited (Company) is pleased to announce the consolidated results of the Company and its subsidiaries (Group) for the year ended 31 December 2017.

The financial information set out in this announcement does not constitute the Group's complete set of the consolidated financial statements for the year ended 31 December 2017, but represents an extract from those consolidated financial statements.

The financial information has been reviewed by the Company's Audit Committee.

The consolidated results of the Group are annexed to this announcement.

MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

KEY POINTS

- Net Profit After Tax of US$348.4 million, including US$147.1 million attributable to equity holders of the Company, a US$299.8 million improvement on 2016.
- Net Operating Cash Flow of US$2,369.8 million, an increase of 228% on the prior corresponding period due to the contribution from Las Bambas, higher commodities prices and a strong focus on cash generation.
- MMG's Net Debt reduced by US$1,452.0 million as a result of increased cash generation. The gearing ratio has reduced from 79% to 74% at 31 December 2017.
- Balance sheet initiatives to simplify and strengthen MMG's capital structure will result in annualised interest savings of approximately US$90 million (based on prevailing LIBOR rates) at the consolidated group level. These initiatives include the voluntary pre-payment of US$1 billion on Las Bambas project debt, the US$338 million redemption of Convertible Redeemable Preference Shares and the renegotiated terms of the US$2,262 million shareholder loan.
- Dugald River commenced zinc production in the fourth quarter of 2017, with 12,412 tonnes of zinc in zinc concentrate produced as part of commissioning activities. This project is advancing ahead of schedule and below budget with commercial production expected in the first half of 2018. When operating at design rates it will be one of the world's top 10 zinc mines.
- Reported EBITDA of US$2,210.0 million included US$178.6 million of pre-tax profit on the divestments of Golden Grove, Century and Avebury in 2017. EBITDA from Continuing Operations was US$2,031.4 million compared with US$949.2 million in 2016.
- Las Bambas produced 453,749 tonnes of copper in copper concentrate in 2017, its first full year of commercial production. Total EBITDA for 2017 was US$1,740.8 million and C1 costs were US$0.99/lb.
- Operating EBITDA at Sepon and Kinsevere of US$119.2 and US$178.7 million respectively was 17% and 54% above 2016, driven by higher realised copper prices.
- Operating EBITDA at the Australian Operations declined 13% to US$156.1 million due to the divestment of Golden Grove. Rosebery's EBITDA contribution of US$152.0 million was 34% above 2016.
- Total capital expenditure for 2017 was US$705.3 million, including US$274.7 million for the Dugald River development. We expect full year capital expenditure for 2018 to be between US$550 and US$600 million, including approximately US$50 million for Dugald River completion.
- The Board does not recommend the payment of a dividend for the period.
- MMG expects to produce 560,000 – 590,000 tonnes of copper and 190,000 – 220,000[1] tonnes of zinc in 2018.

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

MMG RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017 CONTINUED

YEAR ENDED 31 DECEMBER	2017 US$ MILLION	2016 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	4,143.2	2,488.8	66%
EBITDA	2,210.0	949.2	133%
EBIT	1,277.0	264.7	382%
Profit/(loss) for the year	348.4	(98.7)	453%
EBITDA margin	53%	38%	n/a
Net cash generated from operating activities	2,369.8	722.3	228%
Dividend per share	-	-	n/a
Basic earnings/(loss) per share	US 1.85 cents	(US 2.48 cents)	175%
Diluted earnings/(loss) per share	US 1.81 cents	(US2.48 cents)	173%

CHAIRMAN'S REVIEW

Dear Shareholders,

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

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

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

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

In 2017, production at the Company's operations performed strongly, supported by a full year of commercial production at Las Bambas and the commencement of operations at Dugald River. MMG produced 598,196 tonnes of copper in the year - a record for the Company - and produced 86,595 tonnes of zinc, representing an increase of 7% on 2016. With the realisation of commercial production at the Dugald River Zinc Mine in 2018, the Company's overall zinc profile will increase substantially, reclaiming the Company's position as one of the world's major zinc producers. After achieving steady growth in production over the last six consecutive years, MMG plans to produce 560,000 to 590,000 tonnes of copper and 190,000 to 220,000 tonnes of zinc in 2018, and we expect the growth momentum to continue.

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

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

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

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

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

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

GUO Wenqing
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

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

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

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

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

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

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

Safety

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

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

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

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

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

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

Volume

2017 was another milestone year for the Company.

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

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

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

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

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

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

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

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

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

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

Value

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

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

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

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

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

Transformation

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

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

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

These strategic decisions will help position MMG for future growth.

Our People

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

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

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

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

Outlook

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

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

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

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

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

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

Jerry (Jian) JIAO
CHIEF EXECUTIVE OFFICER

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Profit attributable to equity holders of the company

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

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

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

Overview of operating results

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

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

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

Revenue

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

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

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

Price

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

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

Sales volumes

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

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

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

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

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

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

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

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

The Group invested US$24.9 million in mine district exploration, an increase of US$4.6 million compared to 2016. Exploration in 2017 focused on sustaining current ore reserves and increasing the mine life of existing assets, with particular focus on Kinsevere and establishing exploration programs at Las Bambas.

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

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

The favourable impact in 2017 was predominantly driven by the pre-tax gain on the sale of Golden Grove and Century of US$22.0 million and US$151.7 million respectively on 28 February 2017 and the pre-tax gain on the sale of Avebury of US$4.9 million on 7 July 2017. This was partly offset by the fair value losses on commodity price contracts of US$24.3 million (2016: gain of US$21.5 million) and foreign exchange losses on the Century rehabilitation provisions from 1 January 2017 to 28 February 2017 of US$20.5 million (2016: gain of US$2.0 million). In addition, foreign exchange losses were recognised on the translation of the Kinsevere value-added tax (VAT) receivables, which are denominated in Congolese franc. Other items included loss on disposal of property, plant and equipment, offset by gains on financial assets recognised at fair value through profit or loss, foreign exchange losses on the translation of monetary items and sundry expense items.

Depreciation and amortisation expenses increased by US$248.5 million (36%) to US$933.0 million in 2017. The increase was primarily driven by Las Bambas (US$339.6 million) due to higher ore mined and milled following the achievement of commercial production on 1 July 2016. This was offset by a reduction of US$40.2 million at Kinsevere due to a reduction in the amortisation of fair value on acquisition and US$29.5 million from the Australian Operations following the sale of Golden Grove.

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

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

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

MINES ANALYSIS

Las Bambas

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

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

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

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

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

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

MMG expects total copper in copper concentrate production for 2018 at Las Bambas of 410,000 to 430,000 tonnes, reflecting lower grades as we continue to develop the mine. We also expect to see lower metal production in the first quarter of 2018 as a result of work to manage a localised geotechnical instability. No loss of metal will result, with production deferred to subsequent periods.

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

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

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

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

Sepon

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

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

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

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

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

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

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

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

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

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

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

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

Kinsevere

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

YEAR ENDED 31 DECEMBER	2017 US$ MILLION	2016 US$ MILLION	CHANGE % FAV/(UNFAV)
Revenue	**500.9**	**400.4**	**25%**
Operating expenses			
Production expenses			
Mining	(51.8)	(35.3)	(47%)
Processing	(89.1)	(78.9)	(13%)
Other	(86.0)	(80.2)	(7%)
Total production expenses	**(226.9)**	**(194.4)**	**(17%)**
Freight (transportation)	(41.7)	(39.1)	(7%)
Royalties	(19.8)	(16.9)	(17%)
Other (i)	(11.1)	(32.5)	66%
Total operating expenses	**(299.5)**	**(282.9)**	**(6%)**
Other income/(expenses)	(22.7)	(1.2)	(1,792%)
EBITDA	**178.7**	**116.3**	**54%**
Depreciation and amortisation expenses	(144.2)	(184.4)	22%
EBIT	**34.5**	**(68.1)**	**152%**
EBITDA margin	36%	29%	-

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

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

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

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

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

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

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

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

C1costs are expected to be in the range of US$1.57-US$1.67 for 2018, with increased waste movement and higher blasting costs offset by ongoing efficiency and cost reduction initiatives.

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

Australian operations

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

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

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

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

Ore mined and ore milled reduced by 41% and 45% respectively, compared to 2016, due to the divestment of Golden Grove. Excluding the impact of the divestment, ore mined and milled at Rosebery increased 6%

and 3% respectively. Production of zinc in zinc concentrate at Rosebery was 74,803 tonnes in 2017, 8% below 2016 levels, with debottlenecking initiatives to increase throughput and mining rates largely offsetting the impact of declining grades.

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

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

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

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

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

CASH FLOW ANALYSIS

Net cash flow

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

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

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

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

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

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

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

Available debt facilities

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

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

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

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

DEVELOPMENT PROJECTS

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

Dugald River, Australia

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

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

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

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

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

CONTRACTS AND COMMITMENTS

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

Sepon

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

Kinsevere

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

Australian Operations

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

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

Las Bambas

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

Dugald River

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

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

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

Group (including global Geoscience and Discovery requirements)

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

PEOPLE

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

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

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

EXPLORATION ACTIVITIES

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

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

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

Sale of Golden Grove mine

The Group completed the sale of the Golden Grove mine to EMR Capital Holdings Pty Ltd ("EMR Capital") on 28 February 2017 for gross proceeds of US$210.0 million. All conditions for completion were met on 28 February 2017 and the Group lost control of and ceased to consolidate Golden Grove from that date. The sale agreement provided EMR Capital the economic benefit of operations at Golden Grove from 1 January

2017 and a post settlement adjustment was made to the sale price to reflect the effective date of ownership. The transaction resulted in a pre-tax profit on disposal of US$22.0 million (US$18 million post-tax).

Sale of Century mine

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

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

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

Sale of Avebury

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

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

EVENTS AFTER THE REPORTING DATE

Redemption of Convertible Redeemable Preference Shares (CRPS)

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

Amendment to Dugald River Facility

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

Las Bambas Project Facility Pre-payment

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

Democratic Republic of Congo Mining Code

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

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

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

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

FINANCIAL AND OTHER RISK MANAGEMENT

Financial risk factors

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

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

(a) Commodity price risk

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

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

	31 DECEMBER 2017			31 DECEMBER 2016		
Commodity	**Commodity price movement**	**Increase profit US$ million**	**Decrease profit US$ million**	**Commodity price movement**	**Decrease loss US$ million**	**Increase loss US$ million**
Zinc	10%	0.7	(0.7)	10%	5.1	(5.1)
Copper	10%	21.2	(21.2)	10%	53.8	(53.8)
Lead	10%	0.6	(0.6)	10%	0.1	(0.1)
Total		**22.5**	**(22.5)**		**59.0**	**(59.0)**

(b) Interest rate risk

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

The Group regularly monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movements. Any decision to hedge interest rate risk is assessed periodically in light of the Group's overall exposure, the prevailing interest rate market and any funding counterparty requirements.

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

US$ MILLION	2017				2016			
	-100 basis points		+100 basis points		-100 basis points		+100 basis points	
	Increase/ (Decrease) in Net Profit after Tax	Increase/ (Decrease) in OCI	Increase/ (Decrease) in Net Profit after Tax	Increase/ (Decrease) in OCI	(Increase)/ Decrease in Net Loss after Tax	Increase/ (Decrease) in OCI	(Increase)/ Decrease in Net Loss after Tax	Increase/ (Decrease) in OCI
Financial assets								
Cash and cash equivalents	(6.6)	-	6.6	-	(3.9)	-	3.9	-
Financial liabilities								
Borrowings	60.1	-	(60.1)	-	39.8	-	(39.8)	-
Total	**53.5**	**-**	**(53.5)**	**-**	**35.9**	**-**	**(35.9)**	**-**

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

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

(c) Foreign exchange risk

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

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

Outstanding contracts	Average AUD to USD exchange rate	Foreign currency A$ million	Notional value US$ million	Fair value assets (liabilities) US$ million
	YEAR ENDED 31 DECEMBER 2017			
Buy AUD				
Less than 3 months	0.75	15.0	11.2	0.4
3 to 6 months	-	-	-	-
6 to 12 months	-	-	-	-
Beyond 12 months	-	-	-	-
Total		**15.0**	**11.2**	**0.4**
	YEAR ENDED 31 DECEMBER 2016			
Outstanding contracts	**Average AUD to USD exchange rate**	**Foreign currency A$ million**	**Notional value US$ million**	**Fair value assets (liabilities) US$ million**
Buy AUD				
Less than 3 months	0.74	43.5	32.4	(1.0)
3 to 6 months	0.74	43.5	32.2	(1.0)
6 to 12 months	0.74	87.0	64.3	(2.1)
Beyond 12 months	0.75	15.0	11.2	(0.5)
Total		**189.0**	**140.1**	**(4.6)**

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

	2017		2016	
Judgements of reasonably possible movements:	**Increase /(Decrease) in Net Profit after tax US$ million**	**Increase/ (Decrease) in OCI US$ million**	**(Increase)/ Decrease in Net loss after tax US$ million**	**Increase/ (Decrease) in OCI US$ million**
AUD to USD +10%	-	0.8	-	9.5
AUD to USD -10%	-	(0.8)	-	(9.5)

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

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

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

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

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

	2017				2016			
	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 Loss after Tax	Increase/ (Decrease) in OCI	(Increase)/ Decrease in Net Loss after Tax	Increase/ (Decrease) in OCI
10% movement in Australian dollar (2016: 10%)	(15.8)	-	15.8	-	(3.2)	-	3.2	-
10% movement in Peruvian sol (2016: 10%)	2.4	-	(2.4)	-	16.0	-	(16.0)	-
Total	**(13.4)**	**-**	**13.4**	**-**	**12.8**	**-**	**(12.8)**	**-**

(d) Credit risk

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

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

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

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

(e) Liquidity risk

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

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

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

US$ MILLION	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2017					
Financial assets					
Cash and cash equivalents	936.1	-	-	-	**936.1**
Trade and other receivables	256.4	57.7	-	-	**314.1**
Derivative financial assets – (foreign exchange option contracts)	0.1	-	-	-	**0.1**
Derivative financial assets – gross settled					
-Inflows	11.6	-	-	-	**11.6**
-Outflows	(11.2)	-	-	-	**(11.2)**
Financial liabilities					
Trade and other payables (including accrued interest)	(730.1)	-	-	-	**(730.1)**
Other financial liabilities	-	(9.0)	-	(151.3)	**(160.3)**
Borrowings (including interest)	(1,198.1)	(951.9)	(3,475.8)	(6,063.3)	**(11,689.1)**
	(735.2)	**(903.2)**	**(3,475.8)**	**(6,214.6)**	**(11,328.8)**
At 31 December 2016					
Financial assets					
Cash and cash equivalents	552.7	-	-	-	**552.7**
Trade and other receivables	413.1	64.2	-	-	**477.3**
Derivative financial assets – gross settled					
-Inflows	429.4	-	-	-	**429.4**
-Outflows	(412.7)	-	-	-	**(412.7)**
Financial liabilities					
Trade and other payables (including accrued interest)	(652.6)	-	-	-	**(652.6)**
Derivative financial liabilities – (foreign exchange option contracts)	(1.2)	-	-	-	**(1.2)**
Derivative financial liabilities – gross settled					
-Inflows	124.7	10.8	-	-	**135.5**
-Outflows	(128.9)	(11.2)	-	-	**(140.1)**
Borrowings (including interest)	(1,361.6)	(3,207.1)	(2,757.4)	(6,100.1)	**(13,426.2)**
	(1,037.1)	**(3,143.3)**	**(2,757.4)**	**(6,100.1)**	**(13,037.9)**

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

(g) Sovereign risk

The Group conducts all of its operations outside of Hong Kong and, as such, it is exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country. Material risks include, but are not limited to, regime or policy change, fluctuation in currency exchange rates; changes to licensing regimes and amendments to concessions, licences, permits and contracts, and changing political conditions and governmental regulations. Changes in any mining or investment policies or shifts in political attitudes in the jurisdictions in which the Group operates may adversely affect the Group's operations and profitability. The decline in growth and macroeconomic activity in many developing nations has resulted in Governments seeking alternative means of increasing their income, including increases to corporate tax, Value Added Tax and royalty rates, in conjunction with increased audit and compliance activity. This is also coupled with Governments being unable to pay Valued Added Tax refunds to companies largely due to cashflow difficulties. The DRC Government recently proposed changes to the Mining Code. These changes, if enacted, will result in an increased tax burden on mining companies in what is already a difficult operating environment. There is also a risk that similar changes could be adopted by other nations.

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

CONTINGENT LIABILITIES

Bank guarantees

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

Contingent liabilities – tax related contingencies

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

CHARGES ON ASSETS

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

(a) Approximately US$470.0 million (2016: US$330.0 million) from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment; 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited; a share charge over all of the shares in MMG Dugald River Pty Ltd (MMG Dugald River); a real property mortgage over all of the interests in land of MMG Dugald River; a general security agreement in respect of all of the assets of MMG Dugald River; and specific security over certain assets owned by MMG Australia Limited relating to the Dugald River project and a featherweight charge over all of MMG Australia Limited's other assets (which security may now be released as MMG Australia Limited has completed the transfer of the Dugald River project assets to MMG Dugald River). This security was substantially released on 9 January 2018.

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

(c) Approximately US$nil (2016: US$488.2 million) from China Development Bank Corporation and Bank of China Limited (Sydney Branch) was secured by a first-ranking equitable mortgage over each of the entire share capital of Album Investment Private Limited (Album Investment), a wholly owned subsidiary of the Company, and 100% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited, and a share charge over 70% of the share capital of certain wholly owned subsidiaries of Album Investment including MMG Laos Holdings Limited.

FUTURE PROSPECTS

MMG expects to produce 560,000–590,000 tonnes of copper and 190,000–220,000[3] tonnes of zinc in 2018.

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

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

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

OTHER INFORMATION

STRATEGY AND BUSINESS REVIEW

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

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

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

MMG's foundation has been laid. It has leveraged acquisition opportunities to establish its South American, African and Australian hub regions in a deliberate and measured way.. It has secured and delivered Las Bambas, a tier 1 copper asset, and successfully executed Dugald River, a world class zinc project. In parallel, MMG has simplified and improved the quality of its asset portfolio, systems and governance.

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

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

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

The Company remains committed to its primary listing in Hong Kong given it is an attractive market for its major investors and to source Chinese investment. It maintains a secondary listing on the Australian Securities Exchange to access as an additional and attractive equity market for natural resources companies in a location where the Company's has operations and its head office.

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 social and environmental performance is essential for building good 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 will be provided in the 2017 Annual Report.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 24 May 2018 (AGM). The notice of the AGM will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 May 2018 to Thursday, 24 May 2018, inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM.

(a) in respect of the shares registered with the share registrar of the Company in Hong Kong, all completed transfer forms accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm (Hong Kong time) on Thursday, 17 May 2018; or

(b) in respect of the CHESS Depositary Instruments (CDI) registered with the share registrar of the Company in Australia, all completed CDI transfer forms accompanied by the sellers identification requirements, must be lodged with Computershare Investor Services Pty Ltd, at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067, Australia not later than 5:00 pm (Australian Eastern Standard Time) on Thursday, 17 May 2018.

The record date for determining Shareholders' eligibility to attend and vote at the AGM will be on Thursday, 17 May 2018.

CORPORATE GOVERNANCE

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

The Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017, except for the following deviations:

1. Code provision A.4.1 requires that Non-executive Directors should be appointed for a specific term and subject to re-election. 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 annual general meeting (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 annual general meeting. 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 annual general meeting. Since Dr Cassidy has been appointed, he has been re-elected by the Shareholders at three annual general meetings of the Company. These annual general meetings were held in 2011, 2013 and 2016.

2. Code provision E.1.2 requires that the Chairman of the Board to attend and answer questions at the annual general meeting.

   Mr Guo Wenqing, the Chairman of the Board, was not available for the Company's annual general meeting held on 24 May 2017 as he was indisposed and unfit to travel. Accordingly, Dr Peter Cassidy, the 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/or discharged, having regard to principles of good corporate governance, international best practice and applicable laws. The Board Charter is adopted on the basis that strong corporate governance can add to the performance of the Company, create Shareholder value and engender the confidence of the investment market.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Audit Committee comprises five members including three Independent Non-executive Directors, namely Mr Leung Cheuk Yan, Ms Jennifer Seabrook and Professor Pei Ker Wei and two Non-executive Directors, namely Mr Gao Xiaoyu and Mr Zhang Shuqiang. 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 duties of the Audit Committee include to monitor the relationship with the Company's external auditor, review the financial information of the Company (including its treasury and tax functions) and have oversight over the Group's financial reporting system. The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2017.

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

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is also published on the websites of the Australian Securities Exchange (www.asx.com.au) and the Company (www.mmg.com). The Company's 2017 Annual Report will be despatched to Shareholders and made available on the websites of the Hong Kong Exchange and Clearing Limited (www.hkexnews.hk), the Australian Securities Exchange and the Company in due course.

FINANCIAL INFORMATION OF THE GROUP

The financial information relating to the period ended 31December 2017 and 2016 included in this preliminary announcement of annual results 2017 does not constitute the Company's statutory consolidated financial statements for those periods, but is derived from those consolidated financial statements.

Further information relating to these statutory consolidated financial statements as required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Companies Ordinance, and will deliver the consolidated financial statements for the year ended 31 December 2017 to the Registrar of Companies in due course.

The Company's auditor has reported on these consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2017 as set out in the announcement on annual results have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the announcement on annual results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	NOTES	YEAR ENDED 31 DECEMBER 2017 US$ MILLION	2016 US$ MILLION
Revenue	3	**4,143.2**	**2,488.8**
Other (loss)/income	5	(35.0)	40.3
Expenses (excluding depreciation and amortisation expenses)	6	(2,076.8)	(1,579.9)
Gains on disposal of subsidiaries	4	178.6	-
Earnings before interest, income tax, depreciation and amortisation expenses – EBITDA		**2,210.0**	**949.2**
Depreciation and amortisation expenses	6	(933.0)	(684.5)
Profit before interest and income tax – EBIT		**1,277.0**	**264.7**
Finance income	7	8.8	3.3
Finance costs	7	(542.3)	(316.3)
Profit/(loss) before income tax		**743.5**	**(48.3)**
Income tax expense	8	(395.1)	(50.4)
Profit/(loss) for the year		**348.4**	**(98.7)**
Profit/(loss) for the year attributable to:			
Equity holders of the Company		147.1	(152.7)
Non-controlling interests		201.3	54.0
		348.4	**(98.7)**
EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY			
Basic earnings/(loss) per share	9	US 1.85 cents	(US 2.48 cents)
Diluted earnings/(loss) per share	9	US 1.81 cents	(US 2.48 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AS AT 31 DECEMBER	
	NOTES	2017 US$ MILLION	2016 US$ MILLION
ASSETS			
Non-current assets			
Property, plant and equipment		11,982.1	12,084.3
Intangible assets		622.3	620.6
Inventories		51.9	29.8
Deferred income tax assets		200.5	291.1
Other receivables	12	218.9	160.2
Other financial assets		17.8	12.5
Total non-current assets		**13,093.5**	**13,198.5**
Current assets			
Inventories		296.1	345.7
Trade and other receivables	12	287.7	755.5
Loan to a related party		120.0	95.0
Current income tax assets		55.7	5.5
Derivative financial assets		0.5	16.7
Other financial assets		-	0.2
Cash and cash equivalents	13	936.1	552.7
		1,696.1	**1,771.3**
Assets of disposal group classified as held for sale	16	-	260.2
Total current assets		**1,696.1**	**2,031.5**
Total assets		**14,789.6**	**15,230.0**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	2,874.1	2,863.3
Reserves and retained profits		(1,662.7)	(1,832.8)
		1,211.4	1,030.5
Non-controlling interests		1,760.4	1,559.1
Total equity		**2,971.8**	**2,589.6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	NOTES	AS AT 31 DECEMBER 2017 US$ MILLION	2016 US$ MILLION
LIABILITIES			
Non-current liabilities			
Borrowings		8,498.2	9,516.2
Provisions		793.8	831.3
Other financial liabilities		160.3	-
Deferred income tax liabilities		863.0	683.0
Total non-current liabilities		**10,315.3**	**11,030.5**
Current liabilities			
Borrowings		694.3	737.0
Provisions		62.9	141.6
Trade and other payables	15	730.1	652.6
Current income tax liabilities		15.2	3.1
Derivative financial liabilities		-	5.8
		1,502.5	**1,540.1**
Liabilities of disposal group classified as held for sale	16	-	69.8
Total current liabilities		**1,502.5**	**1,609.9**
Total liabilities		**11,817.8**	**12,640.4**
Net current assets		**193.6**	**421.6**
Total equity and liabilities		**14,789.6**	**15,230.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$ MILLION	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	SHARE CAPITAL	TOTAL RESERVES	TOTAL RETAINED PROFITS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
	(Note 14)					
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	10.8	(2.2)	-	8.6	-	**8.6**
Employee share options lapsed after vesting	-	(1.5)	1.5	-	-	**-**
Employee long-term incentives	-	20.9	-	20.9	-	**20.9**
Total transactions with owners	**10.8**	**17.2**	**1.5**	**29.5**	**-**	**29.5**
At 31 December 2017	**2,874.1**	**(1,892.4)**	**229.7**	**1,211.4**	**1,760.4**	**2,971.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
US$ MILLION	NOTE	SHARE CAPITAL	TOTAL RESERVES	TOTAL RETAINED PROFITS	TOTAL	NON-CONTROLLING INTERESTS	TOTAL
		(Note 14)					
At 1 January 2016		**2,359.1**	**(1,926.3)**	**233.8**	**666.6**	**1,508.6**	**2,175.2**
(Loss)/profit for the year		-	-	(152.7)	(152.7)	54.0	**(98.7)**
Other comprehensive income		-	7.5	-	7.5	-	**7.5**
Total comprehensive income/(expenses) for the year		**-**	**7.5**	**(152.7)**	**(145.2)**	**54.0**	**(91.2)**
Ordinary shares issued, net of share issue costs	14	504.2	-	-	504.2	-	**504.2**
Employee long-term incentives		-	4.9	-	4.9	-	**4.9**
Dividends paid to non-controlling interests		-	-	-	-	(3.5)	**(3.5)**
Total transactions with owners		**504.2**	**4.9**	**-**	**509.1**	**(3.5)**	**505.6**
At 31 December 2016		**2,863.3**	**(1,913.9)**	**81.1**	**1,030.5**	**1,559.1**	**2,589.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTE	YEAR ENDED 31 DECEMBER 2017 US$ MILLION	2016 US$ MILLION
Cash flows from operating activities			
Receipts from customers		4,820.5	2,875.1
Payments to suppliers and employees		(2,318.3)	(2,049.3)
Payments for exploration expenditure		(45.6)	(38.8)
Income tax paid		(86.8)	(64.7)
Net cash generated from operating activities		**2,369.8**	**722.3**
Cash flows from investing activities			
Purchase of property, plant and equipment		(666.9)	(771.0)
Purchase of intangible assets		(38.4)	(17.0)
Purchase of financial assets		(0.7)	(1.3)
Payment of loan to a related party		(120.0)	(95.0)
Proceeds from repayments of loan to a related party		95.0	-
Proceeds from disposal of subsidiaries, net	4	208.4	-
Proceeds from disposal of financial assets		0.2	34.0
Proceeds from disposal of property, plant and equipment		-	3.1
Net cash used in investing activities		**(522.4)**	**(847.2)**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONTINUED

	NOTE	YEAR ENDED 31 DECEMBER 2017 US$ MILLION	2016 US$ MILLION
Cash flows from financing activities			
Proceeds from issue of shares		-	511.2
Payment of share issue costs		-	(7.0)
Proceeds from borrowings		140.0	643.4
Repayments of borrowings		(1,212.0)	(664.4)
Proceeds from shares issued upon exercise of employee share options		8.6	-
Dividends paid to non-controlling interests		-	(3.5)
Interest and financing costs paid		(409.1)	(403.6)
Interest received		8.5	3.2
Net cash (used in)/generated from financing activities		**(1,464.0)**	**79.3**
Net increase/(decrease) in cash and cash equivalents		**383.4**	**(45.6)**
Cash and cash equivalents at 1 January		552.7	598.3
Cash and cash equivalents at 31 December	13	**936.1**	**552.7**

NOTES TO FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

Going Concern

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

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

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

- As at 31 December 2017, total cash and cash equivalents of US$936.1 million were held by the Group (including Las Bambas);
- The strong ongoing support of the Group's major shareholder, China Minmetals Corporation ("CMC"), as demonstrated by an agreement entered into on 29 December 2017 in relation to the deferral of debt

service payments under the US$2,262.0 million loan facility provided to the Group in 2014 by Top Create Resources Limited (a subsidiary of CMC), to fund its equity investment in MMG SAM; and

- The strong ongoing support of the Group's financiers, as demonstrated by the renewal on 22 December 2017 of a US$300.0 million revolving credit facility with Industrial and Commercial Bank of China Limited ("ICBC"). These relationships are supported and enhanced by the guarantees provided by CMC in respect of certain facilities and CMC's own relationships with the Group's external financiers.

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.

3 SEGMENT INFORMATION

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

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

The Group disposed of its Golden Grove and Century mines on 28 February 2017 and Avebury mine on 7 July 2017. Refer to Note 4 for more details. Accordingly, the operating results for the period from 1 January 2017 to 28 February 2017 of Golden Grove and Century are still reflected in the respective segment results, while their assets and liabilities are not consolidated into the Group from 28 February 2017 onward. Also, the operating results for the period from 1 January 2017 to 7 July 2017 of Avebury is still reflected in the segment results, while its assets and liabilities is not consolidated into the Group from 7 July 2017 onward.

The Group's reportable segments are as follows:

Las Bambas	The Las Bambas mine is a large open-pit, scalable, long-life copper and moly mining operation with prospective exploration options. It is located in the Cotabambas, Apurimac region of Peru. The Las Bambas mine was commissioned for accounting purposes on and from 1 July 2016.
Sepon	Sepon is an open-pit copper mining operation located in southern Laos.
Kinsevere	Kinsevere is an open-pit copper mining operation located in the Haut-Katanga Province of the Democratic Republic of the Congo (DRC).
Australian Operations	Includes Rosebery and Golden Grove. Rosebery is an underground polymetallic base metal mining operation located on Tasmania's west coast. Golden Grove is an underground and open-pit base and precious metals mining operation located in Western Australia's mid-west, which was disposed on 28 February 2017.
Other	Includes Century mine located in North-West Queensland Australia, which was disposed on 28 February 2017 and Avebury mine located in North-West Tasmania Australia, which was disposed on 7 July 2017. This segment also includes exploration and development projects (including the Dugald River project) as well as the results of corporate entities in the Group.

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

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

The segment revenue and results for the years ended 31 December 2017 and 2016 are as follows:

FOR THE YEAR ENDED 31 DECEMBER 2017

US$ MILLION	Las Bambas	Sepon	Kinsevere	Australian Operations	Other unallocated items/ eliminations	Group
Revenue from third parties	1,337.0	315.2	500.9	305.2	8.3	2,466.6
Revenue from CMC	1,599.9	76.7	-	-	-	1,676.6
Revenue	**2,936.9**	**391.9**	**500.9**	**305.2**	**8.3**	**4,143.2**
EBITDA (excluding gains on disposal of subsidiaries)	**1,740.8**	**119.2**	**178.7**	**156.1**	**(163.4)**	**2,031.4**
Depreciation and amortisation expenses	(589.4)	(114.4)	(144.2)	(73.9)	(11.1)	(933.0)
EBIT (excluding gains on disposal of subsidiaries)	**1,151.4**	**4.8**	**34.5**	**82.2**	**(174.5)**	**1,098.4**
Gains on disposal of subsidiaries (Note 4)						178.6
Finance income						8.8
Finance costs						(542.3)
Income tax expense						(395.1)
Profit for the year						**348.4**
Other segment information:						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	361.8	54.3	63.1	62.8	294.2	**836.2**

US$ MILLION	Las Bambas	Sepon	Kinsevere	Australian Operations	Other unallocated items/ eliminations	Group
Segment assets	11,304.2	624.5	980.2	414.6	1,209.9[1]	14,533.4
Current/deferred income tax assets						256.2
						14,789.6
Segment liabilities	6,744.4	282.3	228.5	165.0	3,519.4[2]	10,939.6
Current/deferred income tax liabilities						878.2
						11,817.8

US$ MILLION	Las Bambas	Sepon	Kinsevere	Australian Operations	Other unallocated items/ eliminations	Group
	FOR THE YEAR ENDED 31 DECEMBER 2016					
Revenue from third parties	536.5	263.3	400.4	423.4	24.8	1,648.4
Revenue from CMC	687.7	127.5	-	25.2	-	840.4
Revenue	**1,224.2**	**390.8**	**400.4**	**448.6**	**24.8**	**2,488.8**
EBITDA	**655.0**	**101.5**	**116.3**	**179.4**	**(103.0)**	**949.2**
Depreciation and amortisation expenses	(249.8)	(138.2)	(184.4)	(103.5)	(8.6)	(684.5)
EBIT	**405.2**	**(36.7)**	**(68.1)**	**75.9**	**(111.6)**	**264.7**
Finance income						3.3
Finance costs						(316.3)
Income tax expense						(50.4)
Loss for the year						**(98.7)**
Other segment information:						
Additions to non-current assets (excluding deferred tax assets, inventories and financial instruments)	704.1	62.2	24.0	78.8	230.4	**1,099.5**

US$ MILLION	Las Bambas	Sepon	Kinsevere	Australian Operations	Other unallocated items/ eliminations	Group
Segment assets	11,378.9	691.3	1,044.4	632.9	1,185.9[1]	14,933.4
Current/deferred income tax assets						296.6
						15,230.0
Segment liabilities	7,454.7	244.7	138.5	193.9	3,922.5[2]	11,954.3
Current/deferred income tax liabilities						686.1
Segment liabilities						**12,640.4**

1. Included in segment assets of US$1,209.9 million (31 December 2016: US$1,185.9 million) for the Other segment are cash of US$194.4 million (31 December 2016: US$280.7 million) mainly held at Group treasury entities and Dugald River Project, property, plant and equipment of US$688.1 million (31 December 2016: US$356.6 million) for Dugald River, trade receivables of US$108.4 million (31 December 2016: US$242.8 million) for MMG South America Company Limited in relation to copper concentrate sales, and a loan to a related party of US$120.0 million (2016: US$95.0 million).
2. Included in segment liabilities of US$3,519.4 million (31 December 2016: US$3,922.5 million) for the Other segment are borrowings of US$2,929.2 million (31 December 2016: US$3,271.7 million), which are managed at Group level. Also included in Other segment liabilities are bank guarantee financial liabilities of US$151.3 million and costs of support package of US$17.9 million associated with the disposal of the Century mine, refer to Note 4 for more details (31 December 2016: rehabilitation provisions of US$316.9 million at the Century mine, which was derecognised following its disposal in 2017).

4 DISPOSAL OF SUBSIDIARIES

Sale of Golden Grove mine

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

Sale of Century mine

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

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

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

Sale of Avebury

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

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

Assets and liabilities disposed:

	GOLDEN GROVE US$ MILLION	CENTURY US$ MILLION	AVEBURY US$ MILLION	TOTAL US$ MILLION
Current assets				
-Trade and other receivables	4.2	0.5	-	**4.7**
-Inventories	33.7	-	-	**33.7**
Non-current assets				
-Property, plant and equipment	206.9	1.4	18.8	**227.1**
-Deferred income tax assets	4.0	163.5	1.4	**168.9**
Current liabilities				
-Employee Provisions	6.6	0.2	0.2	**7.0**
-Trade and other payables	10.0	0.2	-	**10.2**
-Mine rehabilitation, restoration and dismantling provisions	-	19.9	4.5	**24.4**
Non-current liabilities				
-Mine rehabilitation, restoration and dismantling provisions	39.5	317.9	-	**357.4**
-Employee Provisions	0.7	-	-	**0.7**
Net assets/(liabilities) disposed of	**192.0**	**(172.8)**	**15.5**	**34.7**

The Group's gains on disposal of subsidiaries are as follows:

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

NOTES TO FINANCIAL INFORMATION CONTINUED

Net cash inflow/ (outflow) on disposal of subsidiaries:

	FOR YEAR ENDED 31 DECEMBER 2017			
	GOLDEN GROVE US$ MILLION	CENTURY US$ MILLION	AVEBURY US$ MILLION	TOTAL US$ MILLION
Consideration received in cash and cash equivalents	210.0	-	19.0	**229.0**
Less: cash and cash equivalent balances disposed of	-	-	-	**-**
Less: completion adjustment payment	(2.5)	-	-	**(2.5)**
Less: payments on support package associated with Century disposal	-	(18.1)	-	**(18.1)**
	207.5	**(18.1)**	**19.0**	**208.4**

5 OTHER (LOSS)/INCOME

	2017 US$ MILLION	2016 US$ MILLION
Gain on disposal of financial assets	-	6.3
(Loss)/gain on changes in fair value of commodity price contracts	(24.4)	21.5
Loss on disposal of property, plant and equipment	(2.3)	-
Other (loss)/income	(8.3)	12.5
Total other (loss)/income	**(35.0)**	**40.3**

6 EXPENSES

Profit/(loss) before income tax includes the following specific expenses:

	2017 US$ MILLION	2016 US$ MILLION
Changes in inventories of finished goods and work in progress	(11.3)	43.5
Write-down of inventories to net realisable value	18.1	70.5
Employee benefit expenses[1]	255.7	211.5
Contracting and consulting expenses	474.2	310.9
Energy costs	269.6	207.3
Stores and consumables costs	449.2	330.8
Depreciation and amortisation expenses[2]	889.1	676.1
Operating lease rental[3]	21.0	26.9
Other production expenses	129.7	18.9
Cost of goods sold	**2,495.3**	**1,896.4**
Other operating expenses[1]	42.4	58.6
Royalty expenses	141.8	88.2
Selling expenses	116.5	90.0
Operating expenses including depreciation and amortisation [4]	**2,796.0**	**2,133.2**
Exploration expenses[1,2,3]	45.6	38.8
Administrative expenses[1,3]	81.7	57.9
Auditor's remuneration	1.5	1.4
Foreign exchange losses/(gains) – net	49.4	(12.1)
(Gain)/loss on financial assets at fair value through profit or loss	(4.6)	0.1
Other expenses[1,2,3]	40.2	45.1
Total expenses	**3,009.8**	**2,264.4**

1. In aggregate US$132.4 million (2016: US$114.5 million) employee benefit expenses by nature is included in the administrative expenses, exploration expenses, other operating expenses and other expenses categories. Total employee benefit expenses were US$388.1 million (2016: US$326.0 million).
2. In aggregate US$43.9 million (2016: US$8.4 million) depreciation and amortisation expenses are included in exploration expenses and other expenses categories. Total depreciation and amortisation expenses were US$933.0 million (2016: US$684.5 million).
3. In aggregate, an additional US$10.3 million (2016: US$9.2 million) operating lease rentals are included in administrative expenses, exploration expenses and other expenses categories. Total operating lease rentals were US$31.3 million (2016: US$36.1 million).
4. Operating expenses include mining and processing costs, royalties, selling expenses (including transportation) and other costs incurred by operations.

7 FINANCE INCOME AND FINANCE COSTS

	2017 US$ MILLION	2016 US$ MILLION
Finance income		
Interest income on cash and cash equivalents[1]	8.8	3.3
	8.8	**3.3**
Finance costs		
Interest expense on bank borrowings	(370.8)	(366.2)
Interest expense on convertible redeemable preference shares	(20.1)	(19.7)
Interest expense on related party borrowings	(102.5)	(91.3)
Unwinding of discount on provisions	(16.6)	(28.1)
Other finance cost on external borrowings	(50.8)	(19.9)
Other finance cost on related party borrowings	(4.1)	(9.2)
Finance costs – total	**(564.9)**	**(534.4)**
Less: Borrowing costs capitalised in relation to qualifying assets[2]	**22.6**	**218.1**
Finance costs – net of capitalised borrowing costs	**(542.3)**	**(316.3)**

1. US$nil (2016: US$6.7 million) interest income was capitalised on qualifying assets, which form part of the additions to the cost of property, plant and equipment.
2. Borrowing costs capitalised include finance costs on borrowings held to specifically fund the assets, and finance costs on general borrowings capitalised at the rate of 5.5% (2016: 4.0%) per annum representing the average interest rate on relevant borrowings.

8 INCOME TAX EXPENSE

Hong Kong profits tax is provided at a rate of 16.5% where there are net assessable profits derived for the year. The income tax rates applicable for the main jurisdictions in which the Group operates are: Australia (30.0%), Laos (33.3%), Peru (32.0%) and the DRC (30.0%). Tax rates for some jurisdictions are covered by historical legal agreements with governments. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

The Group recognises deferred tax assets if it is probable that future taxable amounts will be available to utilise those deductible temporary differences and unused tax losses in the foreseeable future. Management will continue to assess the recognition of deferred tax assets in future reporting periods.

	2017 US$ MILLION	2016 US$ MILLION
Current income tax expense – Overseas income tax	(121.8)	(36.7)
	(121.8)	**(36.7)**
Deferred income tax expense – Overseas income tax [(i)]	(273.3)	(13.7)
	(273.3)	**(13.7)**
Income tax expense	**(395.1)**	**(50.4)**

(i) Included in the 2017 deferred income tax expense is US$168.9 million (of which, US$166.2 million arises from deferred tax balance movement and US$2.7 million arises from asset/liability of disposed group classified as held for sale movements (Note 16)) associated with the disposals of Century, Golden Grove and Avebury mines, refer to Note 4 for more details.

There is no deferred tax impact relating to items of other comprehensive income (2016: US$nil).

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

	2017 US$ MILLION	2016 US$ MILLION
Profit/(loss) before income tax	743.5	(48.3)
Calculated at domestic tax rates applicable to profits in the respective countries	(222.6)	(12.0)
Net non-taxable amounts[1]	77.3	3.5
Net unrecognised deferred tax assets[2]	(40.3)	(43.0)
Previously unrecognised tax losses now recognised as deferred tax assets	49.9	10.8
Over provision in prior years	22.2	18.4
Non-recoverable withholding tax	(102.7)	(28.1)
Derecognition of deferred tax balances associated with disposal of subsidiaries (Note 4)	(168.9)	-
Others	(10.0)	-
Income tax expense	**(395.1)**	**(50.4)**

1. Amount in 2017 primarily relates to the gains from divestments of Century, Golden Grove and Avebury, which were non-taxable in Singapore.
2. Amounts in 2017 and 2016 relate mainly to costs not presently deductible in Hong Kong.

9 EARNINGS/(LOSS) PER SHARE

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

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options and performance awards on issue, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined at the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and performance awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and performance awards.

	YEAR ENDED 31 DECEMBER	
	2017 US$ MILLION	2016 US$ MILLION
Profit/(loss) attributable to equity holders of the Company in the calculation of basic and diluted earnings/(loss) per share	147.1	(152.7)
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in the calculation of the basic earnings/(loss) per share	7,948,885	6,163,972
Shares deemed to be issued in respect of long-term incentive equity plans	162,903	-
Weighted average number of ordinary shares used in the calculation of the diluted earnings/(loss) per share[1,2]	8,111,788	6,163,972
Basic earnings/(loss) per share	US 1.85 cents	(US 2.48 cents)
Diluted earnings/(loss) per share	US 1.81 cents	(US 2.48 cents)

1. Diluted loss per share is the same as basic loss per share for year ended 31 December 2016. In 2016, potential ordinary shares are anti-dilutive as their conversion to ordinary shares will result in a decrease of loss per share. The calculation of diluted earnings/(loss) per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings/(loss) per share.
2. The conversion of convertible redeemable preference shares ("CRPS") as issued by Topstart Limited ("Topstart"), a subsidiary of the Company, would result in an anti-dilutive impact to the earnings/(loss) per share, as such the calculation of diluted earnings/(loss) per share does not assume conversion.

10 DIVIDENDS

The Directors did not recommend the payment of an interim or final dividend for the year ended 31 December 2017 (2016: US$nil).

11 IMPAIRMENT TESTING OF NON-CURRENT ASSETS AND GOODWILL

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

Indicators of impairment and potential impairment reversal were identified as at 31 December 2017. These included changes to the LOA for the Sepon mine, the political environment in the DRC and progress on the Dugald River project, which resulted in assessing if an impairment or a reversal of impairment is required.

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

(i) Approach

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

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are sourced from the Group's planning process, including LOA plans, three year budgets, periodic forecasts and CGU specific studies. Expected operating performance improvements reflecting the Group's objectives to maximise free cash flow, optimise and reduce operational activity, apply technology, improve capital and labour productivity and other production efficiencies are also included along with the expected costs to realise the initiatives.

All Reserves and Resources have been included in the valuations at justifiable reasonable conversion rates, supported by proof of concept studies. Exploration targets are supported on reasonable grounds.

(ii) Key assumptions

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

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

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of both external consultants and experts within the Group to validate entity specific assumptions such as Reserves and Resources and exploration targets.

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

The long term AUD:USD exchange rate is unchanged from 2016 at 0.80.

The real post-tax discount rates used in the Fair Value estimates for each of the CGU's are 7% for both Sepon and the Australian assets (2016: 7%), 8% for Las Bambas (2016: 8%), and 11% for Kinsevere (2016: 9%).

(iii) Valuation methodology for each CGUs

The methodology for valuing each of the CGU in the Group is discussed below.

Sepon

The Sepon Fair Value is determined by the 2017 LOA discounted cashflows and supported by resource multiples for the gold reserves and resources. These include copper processing to 2020 (2016: 2021) followed by the processing of gold reserves and resources in later years. The Sepon Fair Value assumes additional capital investment in the processing plant to process gold beyond 2020 and deferral of rehabilitation to completion of the gold project.

Kinsevere

The Kinsevere Fair Value is determined through the 2017 LOA discounted cashflows. The valuation contains the current operation, further regional exploration potential and third party ore processing prospects. The cashflows assume additional capital investment in the processing plant to process sulphide ore under the current DRC Mining Code, which also extends the mine life.

Subsequent to the reporting date the DRC Government has proposed changes to the DRC Mining Code which have not yet been enacted. The Group along with other industry participants are actively engaged in discussion with the DRC Government to negate or reduce any negative financial outcomes. Should the negotiations be unsuccessful and the current proposals be effected there is likely to be an impairment of the carrying value of Kinsevere.

Las Bambas

The Las Bambas Fair Value is determined through the 2017 LOA discounted cashflows and supported by resource multiples. The valuation contains the current operation and further regional exploration targets included in the initial valuation to acquire the mine in 2014. The cashflows assume additional capital investment in the processing plant as well as expected cost reductions from operational improvement programs underway. Future cash flow forecasts include estimates for the cost of obtaining access to land where the rights do not currently exist.

Dugald River

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

The Group revised the Dugald River project plan in 2016 and identified cost savings and consistent improvements in the operational and technical stability of the project resulting in approval for external funding to complete the project. These factors together with recent increases in the zinc price resulted in an evaluation of whether a reversal of impairment should be considered as at 31 December 2017.

Due to the stage of completion of the project, related completion risks and uncertainty associated with the commissioning phase of the operation, as well as the sensitivity of its recoverable amount to zinc price, no reversal of impairment has been recognised as at 31 December 2017. The Group will continue to monitor and assess if a reversal of impairment is required in future periods following the successful commissioning and ramp up of production.

Rosebery

The Rosebery Fair Value is determined through the 2017 LOA discounted cashflows.

(iv) Conclusion

The impairment review of all the Group's operations as at 31 December 2017 has not resulted in the recognition of impairment or impairment reversal of the Group's non-current assets (2016: nil). The Sepon Fair Value remains sensitive to changes in pricing as set out in the sensitivity analysis below.

(a) 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.

Sepon

The key assumptions to which the calculation of Fair Value for Sepon is most sensitive are copper and gold prices, reduction in operating costs and the ability to mine gold at the end of the current Copper Life of Mine assumption and deferral of rehabilitation to the end of the gold project. An adverse change of 5% in copper and gold prices over the remaining mine life would decrease the recoverable amount by approximately US$37 million and US$35 million respectively. An adverse change of 5% in operating costs would decrease the recoverable amount by approximately US$56 million, which erodes the head room almost completely.

As announced on 18 October 2017, the Company has initiated an expression of interest process for the Sepon asset. The Company expects an outcome of the potential sale process to be determined in the first half of 2018.

12 TRADE AND OTHER RECEIVABLES

	2017 US$ MILLION	2016 US$ MILLION
Non-current other receivables		
Prepayments	7.6	16.1
Other receivables – government taxes[1]	153.6	79.9
Sundry receivables	57.7	64.2
	218.9	**160.2**

Current trade and other receivables	2017 US$ MILLION	2016 US$ MILLION
Trade receivables[2]	236.3	406.6
Less: Allowance for impairment of trade receivables	-	-
Trade receivables (net)	236.3	406.6
Prepayments	28.0	31.0
Other receivables – government taxes[1]	3.3	311.4
Sundry receivables	20.1	6.5
	287.7	**755.5**

1. Other receivables – government taxes:

Non-current other receivable – Government Taxes	2017 US$ MILLION	2016 US$ MILLION
Peru	99.2	31.8
Democratic Republic of the Congo	45.9	43.0
Other	8.5	5.1
Total government taxes receivables – non-current	**153.6**	**79.9**
Current other receivable – Government Taxes		
Peru	-	305.5
Democratic Republic of the Congo	-	3.9
Other	3.3	2.0
Total government taxes receivables – current	**3.3**	**311.4**

The government taxes amount mainly consists of VAT receivables.

2. As at 31 December 2017 and 2016, trade receivables of the Group mainly related to the mining operations and development projects. The majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 120 days from delivery. The ageing analysis of the trade receivables (based on invoice date) is as follows:

	2017		2016	
	US$ MILLION	%	US$ MILLION	%
Current trade receivables				
Less than 6 months	236.3	100	406.6	100.0
Total	**236.3**	**100**	**406.6**	**100.0**

As at 31 December 2017, US$nil (2016: US$2.2 million) trade receivables were past due but not impaired.

As at 31 December 2017, the Group's trade receivables included an amount of US$102.5 million (2016: US$228.4 million), which was due from a related company of the Group. The carrying amounts of the Group's trade receivables are all denominated in US$.

13 CASH AND CASH EQUIVALENTS

	2017 US$ MILLION	2016 US$ MILLION
Cash at bank and in hand	331.9	335.9
Short-term bank deposits[1]	604.2	216.8
Total[2]	**936.1**	**552.7**

1. The weighted average effective interest rate on short-term bank deposits as at 31 December 2017 was 1.68% (2016: 1.86%). These deposits have an average 20 days (2016: 20 days) to maturity from 31 December 2017.
2. Total cash and cash equivalents include US$708.2 million (2016: US$239.6 million) of cash held limited for use by Las Bambas joint venture and US$27.8 million (2016: US$0.3 million) of cash held limited for use by Dugald River project.

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

	2017 US$ MILLION	2016 US$ MILLION
US dollars	928.3	521.9
Peruvian sol	1.4	14.7
Australian dollars	1.9	10.0
Hong Kong dollars	1.6	2.6
Others	2.9	3.5
	936.1	**552.7**

14 SHARE CAPITAL

	NUMBER OF ORDINARY SHARES		SHARE CAPITAL	
	2017 '000	2016 '000	2017 US$ MILLION	2016 US$ MILLION
Issued and fully paid:				
At 1 January	7,935,105	5,290,070	2,863.3	2,359.1
Ordinary shares issued[1]	-	2,645,035	-	504.2
Employee share options exercised[2]	28,029	-	10.8	-
At 31 December	7,963,134	7,935,105	2,874.1	2,863.3

1. On 15 December 2016, a total 2,645,034,944 new shares were issued as a result of the completion of a rights issue of 2,645,034,944 rights shares at HK$1.50 per rights share on the basis of 1 rights share for every 2 shares held. The gross proceeds from the rights issue was US$511.2 million, excluding share issue costs of US$7.0 million.
2. During 2017, a total 28,029,021 new shares were issued as a result of employee share options exercised at an exercise price of HK$2.51 per share under the Company's 2013 share option scheme.

15 TRADE AND OTHER PAYABLES

The analysis of the trade and other payables is as follows:

	2017	2016
	US$ MILLION	US$ MILLION
Current trade and other payables		
Trade payables[1]		
Less than 6 months	187.9	291.4
More than 6 months	1.6	10.4
	189.5	301.8
Related party interest payable	301.2	198.7
Other payables and accruals[2]	239.4	152.1
Total	**730.1**	**652.6**

1. As at 31 December 2017, the Group's trade payables included an amount of US$0.1 million (2016: US$nil), which was due to a related company of the Group. The ageing analysis of the trade payables is based on the creditors' invoice date.
2. As at 31 December 2017, the Group's other payables and accruals included an amount of US$12.2 million (2016: US$11.5 million) accrued interest on external bank borrowings.

16 ASSETS AND LIABILITIES HELD FOR SALE

	2017 US$ MILLION	2016 US$ MILLION
Assets of disposal group classified as held for sale		
Avebury		
-Property, plant and equipment	-	18.8
Golden Grove		
-Property, plant and equipment	-	208.6
-Inventories	-	20.0
-Deferred income tax assets	-	3.9
-Trade and other receivables	-	8.9
Total	**-**	**260.2**
Liabilities of disposal group classified as held for sale		
Avebury		
-Mine rehabilitation, restoration and dismantling provisions	-	4.5
Golden Grove		
-Mine rehabilitation, restoration and dismantling provisions	-	39.2
-Employee Provisions	-	6.2
-Trade and other payables	-	18.7
-Deferred income tax liabilities	-	1.2
Total	**-**	**69.8**
Assets of disposal group classified as held for sale - net	**-**	**190.4**

Avebury and Golden Grove mines were disposed of during 2017, refer to Note 4 for details. The assets and liabilities held for sale were derecognised at disposal.

17 COMMITMENTS

(a) Operating leases

The Group leases various warehouses, offices and factory premises under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017 US$ MILLION	2016 US$ MILLION
Within one year	6.5	7.5
Over one year but not more than five years	3.4	7.8
	9.9	**15.3**

(b) Capital commitments

Commitments for capital expenditure contracted for at the reporting date but not recognised as liabilities, are set out in the table below:

	2017 US$ MILLION	2016 US$ MILLION
Property, plant and equipment		
Within one year	56.2	194.5
Over one year but not more than five years	29.1	11.8
	85.3	**206.3**
Intangible assets		
Not later than one year	-	2.8
	-	**2.8**

Aggregate	2017 US$ MILLION	2016 US$ MILLION
Property, plant and equipment and intangible assets		
Contracted but not provided for	85.3	209.1
	85.3	**209.1**

18 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

On 26 January 2018, the Congolese Senate passed the revised DRC mining code. The proposed mining code has been submitted to the President of the DRC for approval, it has not been enacted at the time of the issuance of these consolidated financial statements. The proposed changes to DRC government royalties and corporate tax (including "Super Tax"), if enacted, would likely result in substantial changes to the recoverable amount of the Group's Kinsevere mine, refer to Note 11 for more details. The Group will continue to update its review of the impact of the changes to the DRC Mining Code as more information becomes available. At this stage, the Group is not able to reliably estimate the impact of the proposed changes to the DRC Mining Code.

Other than the matters outlined in this financial information, 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.

GLOSSARY

A$	Australian dollar, the lawful currency of Australia
AGM	annual general meeting of the Company, to be held on Wednesday 24 May 2017
Album Enterprises	Album Enterprises Limited, a company incorporated on 19 January 2005 in Hong Kong with limited liability, a wholly owned subsidiary of CMN
Album Investment	Album Investment Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Album Resources	Album Resources Private Limited, a company incorporated on 8 April 2009 in Singapore with limited liability, a wholly owned subsidiary of the Company
Associate	has the meaning ascribed to it under the Listing Rules
ASX	Australian Securities Exchange
Australia	The Commonwealth of Australia
Board	the board of directors of the Company
Board Charter	the Board charter of the Company
BOC	Bank of China Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange
BOC Singapore	Bank of China Limited, Singapore branch
BOC Sydney	Bank of China Limited, Sydney Branch
CDB	China Development Bank Corporation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
China	has the same meaning as PRC
CMC	China Minmetals Corporation, formerly known as China National Metals and Minerals Import and Export Corporation, a state-owned enterprise incorporated on 7 April 1950 under the laws of the PRC
CMC Group	CMC and its subsidiaries
CMCL	China Minmetals Corporation Limited, a joint stock limited company incorporated on 16 December 2010 under the laws of the PRC
CMN	China Minmetals Non-ferrous Metals Company Limited, a joint stock limited company incorporated on 27 December 2001 under the laws of the PRC
CMNH	China Minmetals Non-ferrous Metals Holding Company Limited, a joint stock limited company incorporated on 22 December 2009 under the laws of the PRC
Companies Ordinance	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company	MMG Limited, a company incorporated on 29 July 1988 in Hong Kong with limited liability, the securities of which are listed and traded on the main board of the Hong Kong Stock Exchange and the ASX
Copper Partners Investment	Copper Partners Investment Co, Ltd, a subsidiary of CMC

Deloitte	Deloitte Touche Tohmatsu
Director(s)	the director(s) of the Company
DRC	Democratic Republic of the Congo
EBIT	earnings before interest (net finance costs) and income tax
EBITDA	earnings before interest (net finance costs), income tax, depreciation, amortisation and
EBITDA margin	EBITDA divided by revenue
ESG	Environmental, Social and Governance
Executive Committee	the executive committee of the Group, which consists of all Executive Directors of the Company, Chief Operating Officer, Chief Financial Officer, Executive General Manager – Stakeholder Relations and Executive General Manager – Business Support
EXIM	The Export-Import Bank of China
Gearing ratio	net debt (total borrowings excluding finance charge prepayments, less cash and bank deposits) divided by the aggregate of net debt plus total equity
GRI	Global Reporting Initiative
Group	the Company and its subsidiaries
g/t	grams per tonne
HK$	Hong Kong dollar, the lawful currency of Hong Kong
HKFRS	Hong Kong Financial Reporting Standards, which include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA)
HNG	Hunan Nonferrous Metals Holding Group Co, Ltd
Hong Kong	the Hong Kong Special Administrative Region of the People’s Republic of China
Hong Kong Stock Exchange	(please refer to the definition of “Stock Exchange”)
ICBC	Industrial and Commercial Bank of China Limited
ICMM	International Council on Mining and Metals
Indicated Mineral Resource	the part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve
JORC Code	Joint Ore Reserves Committee ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’
Laos	the Lao People’s Democratic Republic
Las Bambas Joint Venture Company	MMG South America Management Company Limited (also referred to as MMG SAM)

Las Bambas Project	the development, construction and operation of the copper mines, processing facilities and associated infrastructure at the Las Bambas copper project located in the Apurimac region in Peru, together with all activities and infrastructure associated with the transportation and export of products from such mines
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
LME	London Metal Exchange
Mineral Resource	as defined under the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
Minerals and Metals Group	the collective brand name of the portfolio of international mining assets held by Album Resources
Minmetals HK	China Minmetals H.K. (Holdings) Limited, a company incorporated on 16 April 1996 in Hong Kong and an indirectly owned subsidiary of CMC.
MMG Dugald River	MMG Dugald River Pty Ltd, a company incorporated on 15 July 1998 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG Finance Limited	a company incorporated on 15 June 2011 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG Laos Holdings	MMG Laos Holdings Limited, a company incorporated on 25 May 1993 in the Cayman Islands with limited liability and a wholly owned subsidiary of the Company
MMG or MMG Limited	has the same meaning as the Company
MMG Management	MMG Management Pty Ltd, a company incorporated on 15 July 2005 in Australia with limited liability and a wholly owned subsidiary of the Company
MMG SA	MMG South America Company Limited, a company incorporated on 4 May 1990 in Hong Kong with limited liability and a wholly owned subsidiary of the Company
MMG South America Group	MMG SA and its subsidiaries
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Mtpa	million tonnes per annum
Ore Reserve	as defined under the JORC Code, the economically mineable part of a Measured and /or Indicated Mineral Resource
PEN	Peruvian Nuevo Sol, the lawful currency of Peru
PRC	the People's Republic of China excluding, for the purpose of this document only, Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan, unless the context requires otherwise
Rights Issue	On 1 November 2016, the Company announced a rights issue on the basis of 1 rights issue for every 2 existing shares held by Shareholders. The results of the rights issue was confirmed on 14 December 2016 and 2,645,034,944 rights shares were allotted and issued on 15 December 2016. Details of the Rights Issue are set out in the Prospectus of the Company dated 23 November 2016
Securities Trading Model Code	a model code adopted by the Company for securities trading by Directors of the Company on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 of the Listing Rules

SFO	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shareholder(s)	the shareholder(s) of the Company
SHEC	Safety, Health, Environment and Community
Stock Exchange	The Stock Exchange of Hong Kong Limited
TC/RC	Treatment Charge (TC) and Refining Charge (RC) are commonly used in the terms of purchase for copper concentrate for refining. They are amounts designed to cover refining costs. For example, copper concentrate contracts may define a purchase price based on the LME price at a certain date, minus the TC or RC being used at the time.
Top Create	Top Create Resources Limited, a company incorporated on 22 January 2004 in the British Virgin Islands with limited liability, a wholly owned subsidiary of CMN
TRIF	total recordable injury frequency per million hours worked
US$	United States dollar, the lawful currency of the United States of America
US$751.0 million Facility	the US$751.0 million facility granted by CDB and BOC Sydney to Album Resources and MMG Management on 13 June 2012
VAT	value added tax

CORPORATE DETAILS

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Australia

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MMG LIMITED EXECUTIVE COMMITTEE

JIAO Jian, Chief Executive Officer and Executive Director

Ross CARROLL, Chief Financial Officer

XU Jiqing, Executive General Manager Marketing and Risk and Executive Director

Troy HEY, Executive General Manager Stakeholder Relations

Greg TRAVERS, Executive General Manager Business Support

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

Suresh VADNAGRA, Executive General Manager Operations – Americas

IMPORTANT DATES

8 March 2018 – 2017 Annual Results Presentation and Extraordinary General Meeting
19 April 2018 – First Quarter 2018 Production Report
23 May 2018 – Annual General Meeting

**This information is subject to change.*

MMG will present its financial results to investors at 2.30pm (HKT) on 8 March 2018 at the Mandarin Oriental Hotel, Central, Hong Kong. This presentation will be available to Shareholders via webcast and teleconference for those who are unable to attend. For details please contact Investor Relations.

INVESTOR AND MEDIA ENQUIRIES

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By order of the Board
MMG Limited
Jerry (Jian) Jiao
CEO and Executive Director

Hong Kong, 7 March 2018

As at the date of this announcement, the Board comprises nine directors, of which two are executive directors, namely Mr Jiao Jian and Mr Xu Jiqing; three are non-executive directors, namely Mr Guo Wenqing (Chairman), Mr Gao Xiaoyu and Mr Zhang Shuqiang; and four are independent non-executive directors, namely Dr Peter William Cassidy, Mr Leung Cheuk Yan, Ms Jennifer Anne Seabrook and Professor Pei Ker Wei.