



FINANCIAL REPORT 2010

ALBUM RESOURCES PRIVATE LIMITED

ARBN 140 298 835

REGISTRATION NUMBER: 200906228K

AND ITS SUBSIDIARIES

MMG

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DIRECTORS' REPORT

The Directors present their report on the consolidated entity comprising Album Resources Private Limited ('the Company') and its subsidiaries (together the 'consolidated entity') for the period ended 31 December 2010 (the 'financial period'). The Company is a company limited by shares that is incorporated in Singapore under the Singapore Companies Act, Chapter 50 of Singapore and registered as a foreign company in Australia under the *Corporations Act 2001*.

Directors

The Directors of the Company, in compliance with Section 201 (6A) (a) of the Companies Act, Chapter 50 and Singapore (the "Act") are:

- Mr Jiao Jian;
- Mr Andrew Gordon Michelmores;
- Mr Wang Lixin;
- Mr Xu Jiqing;
- Ms Patricia Geok Neo Seet; and
- Mr Mark Liu (resigned 30 August 2010).

Principal activities

The principal activities of the consolidated entity during the financial period were mining of zinc, copper, lead, gold and silver and various exploration and development projects.

	2010 US\$m
Consolidated results	
Consolidated entity profit attributable to equity holders of Album Resources Private Limited	421.6

Please note all amounts disclosed in this Directors' Report are in USD.

Dividends

Dividends of US\$372.9m were paid during the year.

Significant changes in the state of affairs

Under a Share Sale Deed dated 19 October 2010, Minmetals Resources Limited ("MMR"), a company listed on the Hong Kong Stock Exchange ("HKSE") agreed to acquire the consolidated entity from Album Enterprises Limited, a wholly-owned subsidiary of China Minmetals Non-Ferrous Metals Co. Ltd. ("CMN"). CMN is also a controlling indirect shareholder of MMR. The acquisition was completed on 31 December 2010. Album Resources Private Limited and the portfolio of assets it and its subsidiaries own are known as Minerals and Metals Group ("MMG"). Following completion, MMG, being the collective brand name of the group of companies holding Australian and international mining assets held by Album Investment Private Limited ("Album Investment"), is now a part of MMR group of companies. MMG will be required to provide consolidated results prepared under Hong Kong Financial Reporting Standard ("HKFRS") to MMR, who will then consolidate these results in the MMR Annual Report 2010.

The review of operations set out below summarises a number of other matters that have had an effect on the state of affairs of the consolidated entity. Other than these matters, there were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Review of operations

The 2010 calendar year was MMG's first full year of operation since its assets acquisition on 16 June 2009. This presented an opportunity for MMG to begin delivering upon key elements of the MMG Business Strategy and the vision to build one of the next generation's leading global diversified minerals and metals company.

A key milestone to achieving this objective involved the acquisition by Minmetals Resources Limited. MMG's operations were not impacted by the acquisition, which completed successfully on 31 December 2010. The expanded company is now clearly and intentionally positioned as the international, upstream base metals growth platform for China Minmetals Corporation.

In 2010, MMG's production volumes were generally higher than those for 2009. Zinc production was more than 40% ahead of the annualised 2009 data, as a result of Century returning to normal operations following production delays caused by a pipeline failure and weather-related interruptions in 2009.

Conversely, higher-than-expected rainfall at Sepon, combined with some difficulties in restarting the plant following a planned shutdown, resulted in copper cathode production being approximately 5% less than in 2009.

Total ore mined was approximately 5% behind the 2009 result, but the volume of ore milled was around 8% higher than the previous year as ROM stockpiles were managed downwards.

The strong production results were achieved in line with improved workplace safety outcomes. The Total Recordable Injury Frequency Rate fell from 6.3 in 2009 to 4.7, and the Lost Time Injury Frequency Rate fell from 1.0 to 0.3. While these results are pleasing, further improvements will be pursued.

Key achievements

- Completion of the Sepon copper expansion; nameplate capacity now 80,000 tpa of copper cathode.
- Commissioning of a new tailings storage facility at Golden Grove – with approximately 15 years capacity – on schedule and under budget.
- The Feasibility Study recommenced into the expansion of Golden Grove with a copper open pit to supplement current underground operations.
- Environmental Impact Statement for the Dugald River project lodged with the Queensland Government.
- Substantial improvement in workplace safety statistics.
- The 12 month rolling Total Recordable Injury Frequency Rate fell further to 4.7, from 6.3 as at 31 December 2009, and the Lost Time Injury frequency rate similarly declined to 0.3 from 1.0 twelve months earlier.
- The Avebury optimisation review progressed with new drilling work and further technical evaluations now underway.
- Commodity prices continued to increase, with copper closing the year at record levels.
- China Minmetals publicly reiterated their intention to use MMG as an investment platform for growth internationally.
- The acquisition of MMG by MMR completed on 31 December, creating a unique, listed, mid-tier mining house. The merged entity will be the international, upstream base metals growth platform for China Minmetals.

Review of results

Operations

MMG's operations benefited from strong production performance and sustained above long term average prices for base and precious metals to achieve revenue of \$1,919.9 million in 2010.

Century concentrate production

In the year ended 31 December 2010, the Century operations produced 510,590 tonnes of contained zinc in concentrate, 3,071,323 ounces of contained silver in concentrate and 38,793 tonnes of contained lead in concentrate. This produced revenue of \$711.4 million and EBITDA of \$356.2 million. Century recorded strong performance in the December half year after the June half year was impacted by tropical cyclones Olga and Paul which resulted in a plant shutdown. Century's 2010 results were significant ahead of 2009 which was adversely impacted by the failure of the pipeline.

Golden Grove concentrate production

In the year ended 31 December 2010, the Golden Grove operations produced 73,264 tonnes of contained zinc in concentrate, 33,525 tonnes of contained copper in concentrate, 7,746 tonnes of contained lead in concentrate, 36,304 ounces of contained gold and 1,902,539 ounces of contained silver. This produced revenue of \$391.3 million and EBITDA of \$192.4 million. There was a strategic focus on maximising production of the relatively high margin copper during 2010.

Rosebery concentrate production

In the year ended 31 December 2010, the Rosebery operations produced 91,442 tonnes of contained zinc in concentrate, 2,412 tonnes of contained copper in concentrate, 32,279 ounces of contained gold, 2,512,382 ounces of contained silver and 27,954 tonnes of contained lead. This produced revenue of \$220.5 million and EBITDA of \$104.5 million. Rosebery recorded strong performance in the December half year after the June half year was impacted by ore availability issues from the mine.

Sepon

In the year ended 31 December 2010, the Sepon operations produced 64,241 tonnes of copper cathode, 104,548 ounces of gold and 46,490 ounces of silver. This produced revenue of \$596.7 million and EBITDA of \$358.6 million. Sepon recorded strong performance in the June half year while the December half year was impacted by higher than expected rainfall and some resumption difficulties which followed a scheduled shutdown associated with the Copper Expansion project.

Development projects

Sepon Copper Expansion

The Sepon copper expansion project and the related high voltage powerline were completed during the period, approximately 10% under budget. This project will lift nameplate capacity at Sepon from 60,000 to 80,500 tonnes of copper cathode per annum.

Dugald River

The Environmental Impact Statement for Dugald River was lodged with the Queensland Government and a public consultation process commenced on 24 January 2011. The Company expects to seek formal Board approval to develop Dugald River in mid 2011. Subject to this and the receipt of all necessary approvals and permits, Dugald River could start production by 2014. Annual production would be approximately 200,000 tonnes of zinc in concentrate, 25,000 tonnes of lead in concentrate and 900,000 ounces of silver. The current resources are for a 23 year mine life. The orebody is open at depth.

Golden Grove

The new tailings storage facility (TSF3), which will provide an additional 15 years of tailings storage capacity, was effectively completed during 2010. This project is expected to finish at approximately 11% under budget.

A feasibility study has confirmed the development of a near-surface copper resource at Gossan Hill was economically attractive and would add life and flexibility to the existing operations. The project would involve treating copper oxide ore using the existing concentrator with preliminary estimates indicating the pit would be mined over 3 years and add approximately 3Mt at 2.4% copper.

Izok Lake

The winter drilling program was completed with no significant mineralisation intersected however favourable fragmental volcanics were intersected indicating more ground as prospective north of the deposit. Detailed aeromagnetic and ground gravity surveys were completed identifying several targets for follow up during the summer field mapping campaign. AMEC was selected as engineering consultant for the pre-feasibility study.

Exploration – Near Mine

Century

The exploration drilling program at Century continued in 2010 however no economically significant mineralisation was defined.

Golden Grove

Significant zones of copper and zinc mineralisation were defined by drilling extensions to the known Scuddles orebody during the period. Further drilling at the Gossan Valley exploration prospect continues to extend the zone of mineralisation along strike and at depth.

Rosebery

Drilling was completed on the Jupiter prospect near Rosebery. While the prospective horizon was intersected, no significant mineralisation was encountered and no further work is planned. Collation and interpretation of legacy exploration data over the 20-kilometre Rosebery Host Sequence is in progress with the aim of generating a three-dimensional regional model for drill targeting purposes.

Sepon

For copper, near mine work continued at the highly prospective Thengkhram region with resource definition drilling at Thengkhram South and North. This program, including deep drilling beneath the existing Khanong pit, returned several encouraging copper-gold intersections.

For gold, drilling continued to produce encouraging results for both primary and oxide gold at a number of locations, including the Tongpiang gold prospect.

Exploration – Greenfield

MMG continued work on its portfolio of exploration projects in Australia, Asia and North America. MMG discontinued its exploration activities in China during 2010.

Corporate structure and governance

MMG is held directly by Album Investment, a wholly owned subsidiary of the Company.

MMG's mission is to maximise shareholder returns by discovering, acquiring, developing and sustainably operating resources projects in Australia and other parts of the world. Its corporate governance approach aims to achieve its corporate objectives and create long term value while meeting stakeholders' expectations of sound corporate governance practice.

(a) Corporate governance framework

Currently, MMG is managed centrally by MMG Management Pty Ltd ("MMG Management") which develops policies, directions and strategies for MMG and oversees MMG's overall financial performance. The Company and its wholly owned subsidiary Album Investment Private Limited ("Album Investment") have both confirmed that it is in their best interest that MMG Management manages MMG in accordance with its board charter.

The boards of certain subsidiaries of Album Investment have resolved that, subject to their directors' duties, the boards of those subsidiaries will comply with all lawful directions given by MMG Management.

The board of the Company ("Board") currently comprises of the following members:

- Mr Jiao Jian
- Mr Andrew Gordon Michelmore
- Mr Wang Lixin
- Mr Xu Jiqing
- Ms Patricia Geok Neo Seet

(b) Executive Committee

In accordance with the board charter and constitution of MMG Management, the board of MMG Management has delegated certain responsibilities required to carry out the day-to-day operation and administration of MMG to an executive management team ("Executive Committee"). The Executive Committee has been established in this regard to provide information and report regularly to the board of MMG Management. The board of MMG Management has established limits on the delegated authority of the Executive Committee as set out in its board charter. The members of the Executive Committee currently are:

- Andrew Gordon Michelmore (Chief Executive Officer and Executive Director);
- David Mark Lamont (Chief Financial Officer and Executive Director);
- Brett Francis Fletcher (Executive General Manager – Operations);
- Michael Peter Joseph Nossal (Executive General Manager – Business Development);
- Steven James Ryan (Executive General Manager – Exploration); and
- Timothy John Scully (Executive General Manager – Business Support).

(c) Board Committees

The Company itself has not established any board committees. However, MMG Management has established three standing board committees to provide a forum for a more detailed analysis of key issues for MMG. Each committee is entitled to the resources and information it requires to carry out its duties, including direct access to advisors and employees.

Each committee reports its deliberations in the next MMG Management board meeting. The current standing board committees of the MMG Management board are the Audit Committee, the Safety Health Environment and Community Committee, and the Remuneration and Nomination Committee.

(d) Values

MMG has developed and established a set of values and underlying principles designed to guide the directors and all employees of MMG in their day-to-day dealings with each other, competitors, customers, the communities it operates in and other stakeholders. The values established are Respect, Integrity, Action and Results.

(e) Respect the Rights of the Shareholder

The consolidated entity is now owned by MMR (through All Glorious Limited, a company incorporated in the Cayman Island), which is a listed company in Hong Kong with CMN, as its controlling shareholder. It reports to MMR regularly to allow MMR to comply with its continuous disclosure obligations under the listing rules of HKSE. The Company also aims to ensure that its indirect shareholder, MMR is provided with all information necessary to assess the performance of the consolidated entity.

Likely developments and expected results of operations

Other than the matters disclosed elsewhere in this report, there are no matters or circumstances that may significantly affect our operations, results or state of affairs in future years.

Directors' interests

(i) Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other related corporation.

(ii) Directors' interests in shares and debentures

According to the register of directors' shareholdings, none of the directors of the Company holding office at the end of the financial period had any interest in the shares in, or debentures of, the Company or its related corporations.

(iii) Directors' contractual benefits

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and except that certain directors have employment relationships with a related corporation and have received remuneration in those capacities.

(iv) Share options

There were no options granted during the financial period to subscribe for unissued shares of the Company. No shares have been issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company. There were no unissued shares of the Company under option at the end of the financial period.

Environmental performance

The consolidated entity is subject to significant environmental regulation in respect of its activities. The consolidated entity's various exploration, operating sites as well as those sites on care and maintenance, hold environmental licences and permits under the respective laws of the Commonwealth and States of Australia; the Government of Laos; and Canada and the various countries in which the entity is exploring.

Compliance with all applicable laws and regulations is fundamental to how the consolidated entity operates. A documented process is used to classify and report all incidents including incidents of non-compliance with a licence condition, or a condition of consent that is reportable to the relevant authority, or the MMG's internal standards. These events are also reported to the Executive Committee.

As part of the consolidated entity's internal processes, all reportable environmental non-compliances and/or significant incidents are reviewed by the SHEC Committee and by the Executive Committee. These reportable non-compliances or significant incidents require a formal report identifying the factors that contributed to the non-compliance or significant incident and the actions that are being taken to prevent a recurrence.

There were thirteen non-compliances with Licence/Permit requirements or significant incidents recorded in 2010 which included:

- Discharge of water from the Avebury site with concentration of metals in excess of licence conditions. Measures are being taken to reduce the concentration and negotiations are underway to modify the licence conditions to better reflect the nature of the receiving stream;
- Dust emissions from the shiploading of Golden Grove High Precious Metals (HPM) concentrate exceeded the Geraldton Port Authority's (GPA) licence limits for lead in dust. Shipments of HPM concentrate were voluntarily suspended whilst additional sampling and modifications to the shiploading were undertaken. Significant

improvements in dust levels were observed and further monitoring is underway to confirm the improvements and provide input to additional engineering changes to be implemented by the Geraldton Port Authority (GPA).

- Non-compliance with specified water discharge or groundwater monitoring bore limits at the Golden Grove and Rosebery Mines; and
- Notification from the Canadian Environmental Protection Agency (EPA) for storage of fuel in excess of the permitted volumes at Lupin and other sites;

These non-compliances and significant incidents were reported to the relevant authorities and actions are being implemented to address each of these events.

The consolidated entity continues to focus on improving its environmental performance and ensuring that non-compliance and significant incidents are not repeated in future. Significant environmental improvement programs undertaken in this reporting period to meet site licence and regulatory requirements included:

- Completion of major works aimed at preventing the uncontrolled discharge of contaminated mine water at the Century Mine;
- Improvements to dust containment at the train loading facility in Rosebery to minimise the release of mineral concentrate dust;
- All Australian operations completed works to bring their respective sites into compliance with the new Australian Dangerous Goods Code;
- Construction of a new tailings facility at Golden Grove with significantly enhanced liner design to accommodate future tailings storage requirements; and
- Improvements to the stormwater management at the Rosebery Mine to improve the effectiveness of the water treatment facility.

The consolidated entity is currently working with relevant environmental authorities to review operations and activities in order to ensure compliance with regulatory requirements or practices, and in some cases, to seek modifications to those regulatory requirements, including:

- Continued negotiations with the Queensland Department of Environment and Resource Management on the application for a new development approval that was submitted in September 2009 to correct the initial invalidity of environmental approvals in respect of activities carried out at the Karumba Port Facility.

During 2010 the prosecution of MMG Century Limited for unauthorised discharge of water to Page Creek was concluded. MMG Century Limited was charged with two offences under the Environmental Protection Act 1994 relating to unauthorised discharges of water and contaminants from the Century Mine between 31 December 2008 and 1 April 2009. The offences were:

- unlawfully causing serious environmental harm; and
- contravening a condition of an environmental authority.

On 24 March 2010 MMG Century Limited pleaded guilty to the charges and received a fine of \$130,000 plus \$9,000 prosecution costs. No conviction was recorded.

On 18 November 2010, the Queensland Department of Environment and Resource Management (DERM) charged MMG Century Limited (MMG Century) with wilfully and unlawfully causing material environmental harm, in relation to an unauthorised release from its slurry pipeline on or about 5 October 2009. The initial court hearing is expected to take place in March 2011.

Employees

In compliance with China Minmetals' Foreign Investment Review Board undertakings, MMG has operated the Century, Rosebery and Golden Grove mines by maintaining or increasing the employment levels. At the Australian sites, the total staff headcount as at 31 December 2010 is 1,633 employees. MMG has also continued to honour all existing individual employment contracts and collective agreements that are currently in place. In addition, MMG has also continued to support the Indigenous Australian communities, by honouring Agreements with Indigenous Australians and maintaining and increasing levels of Indigenous employment in its local operations. In this regard, MMG has operated its Century Mine in accordance with the Gulf Communities Agreement, which guides the ongoing compensation, employment, training and business opportunities granted to the Native Title Groups within the area. Currently, the Century Mine employs 162 Indigenous people, representing 21 per cent of its overall workforce, at the time of transfer of ownership from OZ Minerals to MMG (June 2009), Century's indigenous workforce made up 19% of the total workforce.

MMG has revised its employment policies, contracts and payroll software that were impacted by the introduction of the Fair Work Australia Act, revised Modern Awards relevant to the business and the National Employment Standards.

Community

Through our stakeholder relations activities, MMG aims to continually engage all our stakeholders, of which communities are a key component. We aim to engage local communities to better understand how our operations and employees interact with the communities within which we operate. We also aim to be open, honest and cooperative when issues and concerns do arise.

Three significant interactions were reported in 2010. For the same period, 51 stakeholder grievances were recorded, which are of a minor nature and have either been successfully closed out, or discussions are underway with the parties involved to agree upon a resolution with mutual benefits. The majority of the stakeholder grievances occurred at Sepon due to the number of villagers surrounding the mining operation. The first significant interaction occurred at Rosebery and was related to the ongoing allegations of heavy metal contamination in the township. A detailed environmental sampling program was undertaken around the Rosebery township, in consultation with the Rosebery community. In July 2010, MMG presented its final recommendations to the township concluding that while there were some scattered elevations recorded, there was no evidence of harm to human health from the presence of heavy metals in Rosebery. The Department of Health and Human Services attended the community meeting and endorsed MMG's conclusions. MMG is now working with the local Rosebery community to build awareness of the precautions that should be taken by residents living in areas with naturally occurring high levels of mineralisation.

The second significant interaction occurred at Sepon and involved a security situation where an explosive was planted against the haul road power line pole, causing damage to the pole. Given the nature of this incident the matter was referred to the appropriate local authorities for investigation. The full results of the investigation are not yet available. The preliminary findings indicate that this was a one off incident with the motive still to be clarified. The third significant interaction occurred at Geraldton Port when a dust exceedance occurred whilst a ship was loading MMG product. MMG has voluntarily suspended all High Precious Metal (HPM) shipments and is currently working with the Geraldton Port Authority (GPA), the Geraldton Community and Western Australian regulators to implement controls to prevent future dust exceedances. Our community engagement approach over this issue included MMG management door knocking residents in the affected areas in Geraldton to acquaint them with MMG's response and hear first hand from the residents regarding any concerns they have. The overall response from residents was very positive with a low level of concern expressed over the dust exceedance associated with the loading of MMG product.

As part of our internal reporting process, all significant community interactions and grievances are reported and reviewed by the Executive and Board level Safety, Health, Environment and Community Committee.

Community investment is an important part of MMG's approach to community relations. Through investments that support sustainable local development, we aim to share the benefits of our operations with local communities and support our social license to operate.

In 2010 MMG contributed over US\$ 6.1 million to local and regional communities for community development initiatives, local business development, education and training initiatives and for sponsorships and donations.

Local employment remains an important part of our connection with our local communities and each of operating sites has active local recruitment policies to encourage this. Indigenous employment is particularly important and MMG runs training and apprenticeship programs at Century and Golden Grove to support indigenous employment. Our leading site is century where we employ around 154 Indigenous people (directly or as contractors), representing more than 21% of the site's overall workforce.

At Sepon our total workforce is approximately 5000 with approximately 4700 or 93% being local people. In Laos we balance our need to run our business as a commercial enterprise with our commitment to Corporate Social Responsibility by maximising employment of locals.

MMG also actively supports the Zinc Saves Kids initiative run by the International Zinc Association, and in support of UNICEF, which helps to improve the survival and development of undernourished children.

Insurance and indemnity

The Company itself has not entered into any Deed of Indemnity with any of its directors or officers. Nor has it paid any premium for a contract insuring Directors and officers of the consolidated entity against certain liabilities and expenses arising as a result of work performed in their respective capacities. However, MMG has entered into Deeds of Indemnity with each of its current directors and company secretary, certain employees who are directors and company secretaries of a subsidiary of the Company and all members of the Executive Committee in accordance with MMG's articles of association.

MMG was not liable during the reporting period under any such indemnities to the Company's directors, officers or employees (including any members of the Executive Committee).

No indemnity has been granted to the auditors of the consolidated entity in their capacity as auditors of the consolidated entity.

MMG has paid a premium for a contract insuring all directors and certain officers of the consolidated entity against certain liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract are not disclosed, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

Proceedings on behalf of the consolidated entity

At the date of this report there are no leave applications or proceedings have been brought on behalf of the consolidated entity under section 237 of the *Corporations Act 2001, Australia*.

Matters subsequent to the end of the financial period

There have been no other events that have occurred subsequent to 31 December 2010 which have significantly affected or may significantly affect the consolidated entity's operations, results or state of affairs in future years.

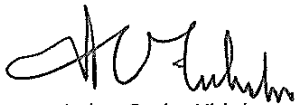
Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the Class Order to the nearest million dollars to one decimal place. All amounts are in US dollars only, unless otherwise stated.

Independent auditor

PricewaterhouseCoopers LLP is appointed as the consolidated entity's independent auditor. A copy of the independent auditor's report is set out on page 70. Details of the amounts paid or payable to PricewaterhouseCoopers LLP and its related parties for audit and non-audit services provided during the period are set out in Note 31 of the financial statements. The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

This report is made in accordance with a resolution of the Directors.



Andrew Gordon Michelmore
Director
6 April 2011



Xu Jiqing
Director
6 April 2011

CONSOLIDATED INCOME STATEMENT

Album Resources Private Limited and its subsidiaries for the year ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
Revenue	5	1,919.9	852.8
Cost of goods sold	7	(1,041.6)	(508.2)
Gross profit		878.3	344.6
Selling expenses	7	(73.9)	(55.1)
Administrative expenses	7	(55.0)	(23.2)
Exploration expenses	7	(50.9)	(10.1)
Other expenses	7	(83.7)	(66.6)
Other income	6	8.7	0.7
Net foreign exchange gain/ (losses)	7	(17.1)	1.6
Results from operating activities		606.4	191.9
Financing income	8	4.1	1.1
Financing expenses	8	(42.8)	(23.2)
Net finance costs	8	(38.7)	(22.1)
Profit before income tax		567.7	169.8
Income tax (expense)/benefit	10	(125.7)	10.9
Profit for the year/period		442.0	180.7
Attributable to:			
Equity holders of the parent		421.6	172.5
Non-controlling interest	23	20.4	8.2
Profit for the year/period		442.0	180.7

The above consolidated income statement should be read in conjunction with the accompanying notes.

Information in the above consolidated income statement is for the year/period from 1 January 2010 to 31 December 2010 and 8 April 2009 (date of incorporation) to 31 December 2009.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Album Resources Private Limited and its subsidiaries for the year ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
Profit for the period		442.0	180.7
Other comprehensive income:			
Net change in fair value of available-for-sale financial assets, net of tax	23	43.3	0.2
Other comprehensive income for the year/period		43.3	0.2
Total comprehensive income for the year/period		485.3	180.9
Attributable to:			
Equity holders of the parent		464.9	172.7
Non-controlling interest		20.4	8.2
Total comprehensive income for the year/period		485.3	180.9

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Information in the above consolidated statement of comprehensive income is for the year/period from 1 January 2010 to 31 December 2010 and 8 April 2009 (date of incorporation) to 31 December 2009.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Album Resources Private Limited and its subsidiaries	Issued capital US\$m	Reserves US\$m	Retained earnings US\$m	Sub-total US\$m	Non-controlling interest US\$m	Total US\$m
Year ended 31 December 2010						
Balance as at 1 January 2010	337.0	0.2	172.5	509.7	42.0	551.7
Total comprehensive income for the year	–	43.3	421.6	464.9	20.4	485.3
Transactions with owners, recorded directly in equity:						
Dividends paid to parent company	–	–	(340.0)	(340.0)	–	(340.0)
Dividends paid to non-controlling interest	–	–	–	–	(32.9)	(32.9)
Total transactions with owners	–	–	(340.0)	(340.0)	(32.9)	(372.9)
Balance as at 31 December 2010	337.0	43.5	254.1	634.6	29.5	664.1
Period ended 31 December 2009						
Balance as at 8 April 2009	–	–	–	–	–	–
Total comprehensive income for the period	–	0.2	172.5	172.7	8.2	180.9
Transactions with owners, recorded directly in equity:						
Contributions of equity	337.0	–	–	337.0	–	337.0
Acquisition of non-controlling interest	–	–	–	–	35.8	35.8
Dividends paid to non-controlling interest	–	–	–	–	(2.0)	(2.0)
Total transactions with owners	337.0	–	–	337.0	33.8	370.8
Balance as at 31 December 2009	337.0	0.2	172.5	509.7	42.0	551.7

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Information in the above consolidated statement of changes in equity is for the year/period from 1 January 2010 to 31 December 2010 and 8 April 2009 (date of incorporation) to 31 December 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Album Resources Private Limited and its subsidiaries	Notes	As at 31 December 2010 US\$m	As at 31 December 2009 US\$m
Current assets			
Cash and cash equivalents	14	217.5	251.3
Trade and other receivables	15	109.2	90.0
Inventories	16	251.9	177.5
Financial and other assets	17	187.0	22.3
Total current assets		765.6	541.1
Non-current assets			
Deferred tax assets	10	90.7	65.5
Inventories	16	24.4	23.5
Financial and other assets	17	0.6	–
Property, plant and equipment	18	1,557.8	1,493.7
Total non-current assets		1,673.5	1,582.7
Total assets		2,439.1	2,123.8
Current liabilities			
Current tax payable	10	128.9	59.6
Trade and other payables	19	157.0	143.7
Interest-bearing liabilities	20	18.6	1.1
Provisions	21	53.1	35.5
Total current liabilities		357.6	239.9
Non-current liabilities			
Interest-bearing liabilities	20	1,081.0	1,100.8
Provisions	21	317.6	231.4
Deferred tax liabilities	10	18.8	–
Total non-current liabilities		1,417.4	1,332.2
Total liabilities		1,775.0	1,572.1
Net assets		664.1	551.7
Equity			
Issued capital	22	337.0	337.0
Reserves	23	43.5	0.2
Retained earnings	23	254.1	172.5
Total equity attributable to equity holders of the parent company		634.6	509.7
Non-controlling interest	23	29.5	42.0
Total equity	24	664.1	551.7
Net current assets		408.0	301.2
Total assets less current liabilities		2,081.5	1,883.9

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

Album Resources Private Limited	Notes	As at 31 December 2010 US\$m	As at 31 December 2009 US\$m
Current assets			
Cash and cash equivalents	14	-	-
Trade and other receivables	15	17.2	-
Financial and other assets	17	1.7	2.1
Total current assets		18.9	2.1
Non-current assets			
Trade and other receivables	15	692.7	710.5
Deferred tax assets		-	-
Financial and other assets	17	337.0	337.0
Total non-current assets		1,029.7	1,047.5
Total assets		1,048.6	1,049.6
Current liabilities			
Trade and other payables	19	1.2	3.0
Interest-bearing liabilities	20	17.2	-
Total current liabilities		18.4	3.0
Non-current liabilities			
Interest-bearing liabilities	20	692.8	710.0
Total non-current liabilities		692.8	710.0
Total liabilities		711.2	713.0
Net assets		337.4	336.6
Equity			
Issued capital	22	337.0	337.0
Retained earnings	23	0.4	(0.4)
Total equity		337.4	336.6

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Album Resources Private Limited and its subsidiaries for the period ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
Cash flows from operating activities			
Receipts from customers		1,953.3	786.9
Payments to suppliers and employees		(1,106.8)	(431.2)
Income taxes paid		(81.6)	(48.6)
Net cash inflows from operating activities	25	764.9	307.1
Cash flows from investing activities			
Payments for plant and equipment		(307.7)	(138.7)
Payments for available-for-sale financial assets		(100.2)	–
Acquisition of subsidiary, net of cash acquired		–	(648.7)
Proceeds from disposal of investments		0.3	2.0
Proceeds from sale of other assets		2.5	–
Interest received		4.1	1.1
Net cash (outflows) from investing activities		(401.0)	(784.3)
Cash flows from financing activities			
Proceeds from borrowings		–	1,122.8
Repayments of borrowings		–	(722.2)
Proceeds from issue of shares		–	337.0
Financing costs and interest paid		(25.1)	(15.2)
Dividends paid		(340.0)	–
Dividends paid to minority shareholder		(32.9)	(2.0)
Repayments of finance lease liabilities		(1.7)	(2.6)
Net cash inflows/(outflows) from financing activities		(399.7)	717.8
Net increase/(decrease) in cash held		(35.8)	240.6
Cash and cash equivalents at the beginning of the year/period		251.3	–
Effects of exchange rate changes on foreign currency denominated cash balances		2.0	10.7
Cash and cash equivalents at the end of the year/period	14	217.5	251.3

Non-cash financing arrangements – refer Note 34

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Information in the above consolidated statement of cash flows is for the periods from 1 January 2010 to 31 December 2010 and 8 April 2009 (date of incorporation) to 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

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NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

1 Summary of significant accounting policies

(a) Reporting entity

Album Resources Private Limited (the "Company") is a company incorporated in Singapore under the Singapore Companies Act, Chapter 50 of Singapore and registered in Australia as a foreign company under the *Corporations Act 2001*. The registered address of the Company is One Marina Boulevard #28-06, Singapore 018989. The consolidated financial statements of the Company for the financial year from 1 January to 31 December 2010 comprise the Company and its subsidiaries (the 'consolidated entity'). The consolidated entity is primarily involved in the exploration for, and the mining, processing and sale of zinc, copper, lead, gold, silver and other minerals into both metal and metal in concentrates.

(b) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Singapore Financial Reporting Standards (FRS).

These financial statements were authorised for issue by the Directors on 6 April 2011. The Directors have the power to amend and reissue the financial report.

(c) Comparatives

These accounting policies have been consistently applied for all periods presented, unless otherwise stated. Where applicable, comparatives have been adjusted to present them on the same basis as current period figures.

(d) Basis of preparation of financial information

(i) Historical costs

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets which are measured at fair value. The methods used to measure fair values are discussed further in Note 1(f) and Note 1(l) respectively.

(ii) Interpretations and amendments to published standards effective in 2010

- Amendment to FRS 7 Cash Flow Statements (effective for annual periods beginning on or after 1 January 2010). Under the amendment, only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the statement of cash flows. Previously, such expenditure could be classified as investing activities in the statement of cash flows. The amendment did not have a material impact on the group's consolidated statement of cash flows.
- FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The revisions to FRS 27 principally change the accounting for transactions with non-controlling interests. Please refer to note 1(e)(iv) for the revised accounting policy on changes in ownership interest.
- FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009). Please refer to note 1(aa) for the revised accounting policy on business combinations. As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(iii) Issued standards not early adopted

The following standards and interpretations were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- Revised FRS 24 *Related Party Disclosures* (effective for annual reporting periods beginning on or after 1 January 2011). It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the amended standard from 1 January 2011. It is not expected to have a material effect on the Group's or the parent entity's related party disclosures.
- IFRIC 14 *Amendment – Prepayments of a Minimum Funding Requirement* (effective 1 January 2011). The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The amendment is not expected to have a material impact on the group's financial statements.
- IFRIC 19 *Extinguishing financial liabilities with equity instruments* (effective 1 January 2011 for MMG). IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. It is not expected to have any impact on the group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented and the group has not entered into any debt for equity swaps since that date.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

Other standards, amendments and interpretations issued and available for early adoption but not applied by the consolidated entity have not been included above as they are not expected to have any material impact on the financial report of the consolidated entity. The consolidated entity will adopt these standards during the applicable mandatory annual reporting periods.

(iv) Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The estimates and underlying assumptions are reviewed on an ongoing basis.

Refer to Note 2 for more detail on critical accounting estimates and judgements.

(e) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the consolidated entity until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity. Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Whilst the intercompany balances are eliminated on consolidation, any related foreign exchange gains or losses arising between entities that do not have the same functional currency, will not be eliminated. This is because the consolidated entity has a real exposure to a foreign currency since one of the entities will need to obtain or sell foreign currency in order to settle the obligation or realise the proceeds received.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the consolidated entity. Investments in subsidiaries are carried at their acquisition cost in the individual financial statements of the Company, less any impairment. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(ii) Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual arrangement.

Jointly controlled assets

Where material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

Joint venture entities

Where material, the interest in a joint venture entity is accounted for in the consolidated financial statements using the equity method and is carried at cost in the Company's financial statements. Under the equity method, the share of the profits or losses of the joint venture entities are recognised in the income statement, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

Profits or losses on transactions establishing the joint venture and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of an impairment of the asset transferred.

(iii) Transactions with non-controlling interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Album Resources Private Limited.

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

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Changes in accounting policy

The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 January 2010 when a revised FRS 27 Consolidated and Separate Financial Statements became operative. The revisions to FRS 27 contained consequential amendments to FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(f) Financial assets

Classification

The consolidated entity classifies its financial assets in the following categories:

- Loans and receivables; and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than twelve months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "receivables from subsidiaries" on the balance sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. Trade receivables, other than concentrate sales receivables, are due for settlement within 30 days from the date of recognition. Concentrate sales receivables are recognised in accordance with Note 1(q).

(i) Available-for-sale financial assets

The consolidated entity's investment in equity securities are classified as available-for-sale financial assets and are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value (refer to Note 1(l)).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to Note 1(l).

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

(g) Foreign exchange

(ii) Functional and presentation currency

The consolidated financial statements are presented in US dollars. Items included in the financial statements of each of the entities within the consolidated entity are measured using the currency of the primary economic environment in which the entity operates, the 'functional currency'. The functional currency of Album Resources Private Limited and the majority of the consolidated entities is US dollars.

(iii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iv) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to the income statement, as part of the gain or loss on sale where applicable.

Whilst intercompany balances are eliminated on consolidation, any related foreign exchange gains or losses arising between entities that do not have the same functional currency, will not be eliminated. This is because the consolidated entity has a real exposure to a foreign currency since one of the entities will need to obtain or sell foreign currency in order to settle the obligation or realise the proceeds received. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(h) Inventories

Inventories including raw materials, stores and consumables, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(i) Income tax

Income tax expense or benefit for the period is the tax payable/recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation – Australia

The Australian subsidiaries of Album Resources Private Limited elected to form an income tax consolidation group as of 16 June 2009 and will be taxed as a single entity from this date. MMG Australia Limited was elected to be the head company of the Australian tax consolidated group.

The head entity, Album Resources Private Limited, and its subsidiaries in the Australian tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the other entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements between entities within the tax consolidated group entities are recognised as amounts receivable from or payable to other entities within the tax consolidated group.

(j) Leases

Leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included as interest-bearing liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(k) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses recognised. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Major spare parts and stand-by equipment are carried as property, plant and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also includes subsequent costs to develop the mine to the production phase.

(v) Depreciation and amortisation

Amortisation of mine property and development assets and the major categories of property, plant and equipment are calculated on the basis of units of production unless their useful life is less than that of the mine. Amortisation is based on assessments of proven and probable reserves and a proportion of resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable.

The amortisation of mine, property and development assets commences when the mine starts commercial production. All other items of property, plant and equipment are depreciated over the shorter of the asset's useful life and the life of mine on a straight-line basis, as follows:

- Freehold land and buildings – lower of life of mine and 20 years
- Plant and equipment – lower of life of mine and 3-5 years;

Gains and losses on disposals are determined by comparing proceeds with asset carrying amounts. These are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

(vi) Overburden and waste removal

Overburden and other waste removal costs incurred in the development of a mine before production commences are capitalised as part of the construction of the mine as mine property and development assets. These costs include direct costs and an allocation of relevant overhead expenditure. These costs are subsequently amortised over the life of mine on a units of production basis upon commencement of commercial production.

Overburden and other waste costs incurred once an operation commences production activity (production stripping costs) are capitalised as mine property and development assets. A proportion of the costs is charged to the income statement as an operating cost on the basis of the quantity of ore mined or the quantity of the minerals contained in the ore, as a proportion of the known mineral reserves of the operation.

Changes in the technical and or other economic parameters that impact on reserves will also have an impact on the depreciation and amortisation of capitalised mine property and development assets. These changes are accounted for prospectively from the date of change.

(vii) Disposal of property, plant and equipment

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

(viii) Exploration and evaluation expenditure

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal right to explore an area are recognised in the income statement.

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

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see recoverable amount and fair value estimation accounting policy Note 1(f)).

For the purposes of the impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating units shall not be larger than the area of interest. Refer to Note 1(f) for further details.

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

Acquired mineral rights comprise identifiable exploration and evaluation assets including mineral reserves and mineral resources, which are acquired as part of a business combination and are recognised at fair value at date of acquisition. The acquired mineral rights are reclassified as mine property and development from commencement of development and amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine.

(f) Impairment of assets, recoverable amount and fair value estimation

Non-financial assets and liabilities

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 3). Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that have a finite life including property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The asset's value in use is the net amount expected to be recovered through the cash flows arising from its continued use and subsequent disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The asset's fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting date. An impairment loss recognised in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Any impairment to the carrying amount of an asset is recognised as an expense in the income statement in the reporting period in which the recoverable amount write down occurs. Where this assessment of impairment indicates a loss in value of the assets of an operation, an appropriate write down is made. An impairment loss on an available-for-sale financial asset is recognised in other comprehensive income, and presented in the revaluation reserve within equity, to the extent that it reverses a previous revaluation surplus relating to the same asset. Any excess is recognised in the income statement. No assets are carried in excess of their recoverable amount. The recoverable amount of the consolidated entity's operations is subject to variation because of changes in internationally determined metal prices and exchange rates.

Financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as available-for-sale securities), is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using recognised valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Option contracts are fair valued using an option pricing model and prevailing market quoted economic variables existing at the balance date. Interest rate swaps are fair valued by determining the theoretical gain or loss had the swap contracts been terminated on market at the balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments. The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of loans and receivables, collectability is reviewed on an ongoing basis. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments in excess of their agreed credit terms are objective evidence that these financial assets are impaired. The carrying amount of loans and receivables is reduced through the use of an impairment provision account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the provision account.

In the case of equity securities classified as available-for-sale, in addition to the objective evidence of impairment for loans and receivables, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is reclassified from equity and recognised in the income statement as a reclassification adjustment. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

(m) Employee benefits

(ix) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on costs, when the liabilities are settled. The expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(x) Long-term employee benefits

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

(xi) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the consolidated entity pays fixed contributions on a mandatory, contractual or voluntary basis to individual defined contribution superannuation plans for each Director and employee. The contributions are charged as an expense in the income statement when incurred.

(xii) Employee bonuses

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

(n) Workers' compensation

Provision is made for outstanding claims, including any incurred but not reported claims, where any subsidiary self-insures for risks associated with workers' compensation. Outstanding claims are recognised when an incident occurs that may give rise to a claim and are measured at the cost that the entity expects to incur in settling the claims, discounted using a rate that reflects current market assessments of the time value of money and risks specific to the liability. An independent actuary provides the calculation of the value of outstanding claims. Each period the impact of the unwind of discounting is recognised in the income statement as a financing cost.

(o) Mine rehabilitation, restoration and dismantling obligations

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

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

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

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

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

(p) Provisions

Provisions for legal claims and other liabilities are recognised when:

- The consolidated entity has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- The amount has been reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a financing expense in the income statement. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

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

(q) Sales revenue

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating there has been a transfer of the significant risks and rewards to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This is generally when title passes, which for the majority of commodity sales is the bill of lading date when the commodity is delivered for shipment.

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable. Contract terms for many of the consolidated entity's zinc, copper, lead, gold, silver and metal in concentrate sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

The terms of concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement is typically between 60 and 120 days.

The fair value of the final sales price adjustment is re-estimated continuously and changes in fair value are recognised as an adjustment to revenue. In all cases, fair value is estimated by reference to forward market prices.

Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses.

(r) Financing income and expenses

Financing income includes:

- Interest income on cash and cash equivalents; and
- Dividend income.

Interest income is recognised as it accrues using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Financing expenses includes:

- Interest on short-term and long-term borrowings;
- Finance lease charges; and
- The impact of the unwind of discount on long-term provisions for mine rehabilitation, restoration and dismantling and workers' compensation.

Financing expenses are calculated using the effective interest method. Financing expenses incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other financing expenses are expensed as incurred.

The capitalisation rate used to determine the amount of financing expenses to be capitalised is the weighted average interest rate applicable to the consolidated entity's outstanding interest-bearing liabilities.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts are repayable on demand and are shown within interest-bearing liabilities in current liabilities on the balance sheet. For the purposes of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash and are subject to an insignificant risk of changes in value, net of any outstanding bank overdrafts which are recognised at their principal amounts.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are non interest-bearing, unsecured and are usually paid within 30 days of recognition. Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. The fair value is equal to the principal amount received, adjusted for the difference in the actual interest rate at inception and the market interest rate for that instrument. The market interest rate is determined based on debt issues of comparable companies. The difference between the fair value and the principal amount received is recognised in equity.

Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(v) Financial guarantee contracts

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Where the financial guarantee is given with respect to a banking facility, that facility must be drawn down before the definition of financial guarantee is met as a debt (or debtor) only comes into existence upon drawdown.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment. Intra-group transactions are eliminated on consolidation.

(w) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(x) Dividends payable

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(y) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax ("GST"), unless the GST incurred is not recoverable from taxation authorities. In this case it is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, taxation authorities is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to taxation authorities. The net GST payable/receivable is remitted to/refunded by the appropriate tax body in accordance with legislative requirements.

(z) Operating segments

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are reviewed regularly by the consolidated entity's CEO and the Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO and Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

Segment information that is evaluated by key management is prepared in conformity with the accounting policies adopted for preparing the financial statements of the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Summary of significant accounting policies (continued)

The division of the consolidated entity's results and assets into segments has been ascertained by reference to direct identification of assets and revenue/cost centres and where interrelated segment costs exist, an allocation has been calculated on a pro rata basis of the identifiable assets and/or costs. The assets and liabilities of the reportable segments do not include receivables and payables to related parties. It includes deferred tax assets and liabilities that are attributable to the segments. The additions to mine, property, property, plant and equipment as presented in the segment note are measured on an accruals basis.

(aa) Business combinations

"The acquisition method of accounting is used to account for business combinations by the consolidated entity. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the consolidated entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by acquisition basis, the consolidated entity recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to note 1(l) for the subsequent accounting policy on goodwill.

The adoption of the revised FRS 103 as disclosed in note 1(d)(ii) has had no impact on previously accounted for business combinations.

(ab) Rounding of amounts

Amounts in the financial report have been rounded off in millions of dollars to one decimal place except where rounding to the nearest one thousand dollars is required.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

2 Critical accounting estimates and judgements

Estimates and judgements used in developing and applying the consolidated entity's accounting policies are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical judgements in applying the consolidated entity's accounting policies

(i) *Functional currency*

An entity's functional currency is the currency of the primary economic environment in which the entity operates in accordance with accounting policy in Note 1(g). Determination of an entity's functional currency requires management judgement when considering a number of factors including the currency that mainly influences sales prices, costs of production, and competitive forces and regulations which impact sales prices. In addition, consideration must be given to the currency in which financing and operating activities are undertaken. Applying the principles described above, management have come to the conclusion that the functional currency of the majority of subsidiaries within the consolidated entity is US dollars based on the following factors:

- Sales are predominantly denominated in US dollars;
- A significant portion of costs are denominated in US dollars;
- Debt and finance costs are denominated in US dollars; and
- Senior management and Board reporting is conducted in US dollars.

(b) Critical accounting estimates and assumptions

(i) *Mine rehabilitation, restoration and dismantling obligations*

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted in accordance with the accounting policy in Note 1(p). These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions.

(ii) *Ore reserves and resources estimates*

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement.

(iii) *Recoverability of assets*

The recoverable amount of each 'cash-generating unit' is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the accounting policy in Note 1(l). These value in use calculations require the use of estimates and assumptions including discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

(iv) *Determination of fair values in a business combination*

The consolidated entity has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities and contingent liabilities assumed by way of a business combination.

The assets, liabilities and contingent liabilities recognised at acquisition date are recognised at fair value. In determining fair value the consolidated entity has utilised valuation methodologies including discounted cash flow analysis. The assumptions made in performing this valuation include assumptions as to discount rates, foreign exchange rates, commodity prices, the timing of development, capital costs, and future operating costs. Any significant change in key assumptions may cause the acquisition accounting to be revised including recognition of goodwill or a discount on acquisition. Additionally, the determination of the acquirer and the acquisition date also require significant judgement to be made by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Critical accounting estimates and judgements (continued)

(v) *Income tax, deferred tax assets and liabilities*

The consolidated entity is subject to income taxes of Singapore and jurisdictions where it has operations including Australia, Laos and Canada. Significant judgement is required in determining the group provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises provisions for potential tax issues based on estimates of amounts that were initially recorded. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provision in the period in which the determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment. \$55.2m of deferred tax assets are unbooked as at 31 December 2010, based on management's longrun forecasts and operations under care and maintenance.

3 Operating segments

Management has determined the operating segments based on reports reviewed by the Executive Committee. The consolidated entity's operations are managed on a site-by-site basis and the operating segments were as noted below. The consolidated entity has built a portfolio of exploration and development projects in Australia, Canada, Laos, Thailand and Indonesia. These exploration and development projects, including the Dugald River Project and the Canadian Project, are not required to be disclosed as a separate segment at this stage, and accordingly these amounts are included within 'other operations'. Other operations also include the Avebury Mine, which remains on care and maintenance and other head office entities.

1. Segments

Century Mine

The Century Mine is an open-cut zinc and lead mine located approximately 250 kilometres north of Mount Isa, near to the Gulf of Carpentaria in Queensland.

Sepon Mines

The Sepon operations include an open-cut copper mine and open-cut gold mines which are located approximately 40 kilometres north of the town of Sepon, in Savannakhet Province of Lao People's Democratic Republic ('Laos').

Golden Grove Mines

Golden Grove is a volcanic hosted massive sulphide base and precious metals deposit of zinc, copper, lead, silver and gold, located approximately 450 kilometres north-east of Perth and 280 kilometres east of Geraldton in Western Australia.

Rosebery Mine

The Rosebery Mine is a medium-scale underground zinc, lead, silver, gold and copper mine located on the west coast of Tasmania in Australia.

2. Geographical areas

Although the consolidated entity's divisions are managed on a site-by-site basis, they operate in two main geographical areas:

Australia

The country of the consolidated entity's Head Office and the area in which the Century, Golden Grove and Rosebery mines operate. It also includes the Avebury Mine, Dugald River Project, corporate head office and shared service operations.

Laos

Comprises the operations associated with the Sepon segment in Laos.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Operating segments (continued)

	Century Mine US\$m	Sepon Mines US\$m	Golden Grove Mines US\$m	Rosebery Mine US\$m	Other operations US\$m	Group US\$m
Year ended 31 December 2010						
Sales revenue – external parties	659.8	542.7	384.4	220.5	–	1,807.4
Sales revenue – related parties	51.6	54.0	6.9	–	–	112.5
Total revenue	711.4	596.7	391.3	220.5	–	1,919.9
EBITDA	356.2	358.6	192.4	104.5	(105.8)	905.9
Depreciation and amortisation	(219.5)	(14.9)	(36.8)	(25.7)	(2.6)	(299.5)
EBIT	136.7	343.7	155.6	78.8	(108.4)	606.4
Financing income	–	0.5	–	–	3.6	4.1
Financing expenses	(14.3)	(10.0)	(7.9)	(2.0)	(8.6)	(42.8)
Segment result	122.4	334.2	147.7	76.8	(113.4)	567.7
Income tax expense						(125.7)
Profit for the period						442.0
Non-controlling interest						(20.4)
Profit attributable to equity holders of the parent						421.6
Other segment information:						
Additions to property, plant & equipment	187.2	102.1	61.1	36.9	13.4	400.7
Segment assets						
Interests in jointly-controlled companies	–	–	–	–	–	–
Interests in associates	–	–	–	–	0.6	0.6
Deferred income tax assets	–	–	–	–	–	92.3
Segment liabilities	150.8	262.8	114.7	80.4	1,166.3	1,775.0
Deferred income tax liabilities	–	–	–	–	–	18.8
Current income tax liabilities	–	–	–	–	–	128.9
Net assets	503.3	490.5	214.0	200.8	(744.5)	664.1
Geographical areas						
				Australia US\$m	Laos US\$m	Group US\$m
Sales to external customers				1,264.7	542.7	1,807.4
Property, plant and equipment				917.8	640.0	1,557.8

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Operating segments (continued)

	Century Mine US\$m	Sepon Mines US\$m	Golden Grove Mines US\$m	Rosebery Mine US\$m	Other operations US\$m	Group US\$m
Period ended 31 December 2009						
Sales revenue - external revenue	233.8	281.4	159.2	151.5	–	825.9
Sales revenue - related parties	13.7	6.4	6.8	–	–	26.9
Total revenue	247.5	287.8	166.0	151.5	–	852.8
EBITDA	86.3	161.3	71.5	74.4	(43.3)	350.2
Depreciation and amortisation	(97.9)	(22.2)	(20.7)	(16.0)	(1.5)	(158.3)
EBIT	(11.6)	139.1	50.9	58.4	(44.8)	191.9
Financing income	–	–	–	–	1.1	1.1
Financing expenses	(9.0)	(2.4)	(5.9)	(0.4)	(5.5)	(23.2)
Segment result	(20.6)	136.7	45.0	58.0	(49.3)	169.8
Income tax benefit						10.9
Profit for the period						180.7
Non-controlling interest						(8.2)
Profit attributable to equity holders of the parent						172.5
Other segment information:						
Additions to property, plant & equipment	104.0	22.7	16.0	14.4	29.8	186.9
Segment assets	630.8	630.7	316.8	242.3	303.2	2,123.8
Interests in jointly-controlled companies	–	–	–	–	–	–
Interests in associates	–	–	–	–	0.8	0.8
Deferred income tax assets	–	–	–	–	–	65.5
Segment liabilities	80.0	176.9	85.6	71.3	1,158.3	1,572.1
Deferred income tax liabilities	–	–	–	–	–	–
Current income tax liabilities	–	–	–	–	–	59.6
Net assets	550.8	453.8	231.2	171.0	(855.1)	551.7
Geographical areas						
			Australia US\$m	Laos US\$m		Group US\$m
Sales to external customers			565.0	287.8		852.8
Property, plant and equipment			1,020.1	473.6		1,493.7

Refer to Note 26(b) for disclosure on a single external customer that accounted for 10% or more of the consolidated entity's total revenue for year ended 31 December 2010.

As the Australian subsidiaries of Album Resources Private Limited elected to form an income tax consolidation group as of 16 June 2009, they will be taxed as a single entity from this date. Therefore tax balances are unallocated as they are not directly attributable to any reportable segment.

All cash and borrowings are managed by the chief decision makers on a group basis therefore they have not been allocated to a particular segment. 2009 comparatives have been adjusted to reflect this.

NOTES TO THE FINANCIAL STATEMENTS

Alumina Resources Private Limited and its subsidiaries

4 Acquisition of business

1. Minerals and Metals Group

The Minerals and Metals Group or MMG was formed on 16 June 2009, from Alumina Investment's acquisition of certain companies from OZ Minerals Limited. The acquisition resulted in the formation of MMG creating a leading minerals and metals business with mining operations in Australia and Laos and exploration and development projects in Australia, South-East Asia, China and North America. Consistent with the sale agreement on a 'cash free, debt free' basis and based on normal levels of working capital, the actual amount paid by the consolidated entity at completion of the transaction of US\$661.2 million was subject to certain adjustments related to the working capital, net debt and agreed tax liabilities of the assets acquired.

The assets acquired by the consolidated entity are listed below:

- Century Mine
- Sepon Copper and Sepon Gold Mines
- Golden Grove Mines
- Rosebery Mine
- Avelbury Mine (which was placed under care and maintenance in March 2009)
- The Canadian Projects
- The Dugald River Project
- Certain other exploration and development assets

These assets were involved in mining of zinc, copper, lead, gold and silver and various exploration and development projects.

The values of assets, liabilities and contingent liabilities recognised on acquisition are their fair values at the date of acquisition. Where the initial accounting for a business combination is incomplete, accounting standards permit up to twelve months for the accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition. Refer to Note 1(aa) for the accounting policy for business combinations.

The consolidated entity undertook a detailed review to determine the fair value of assets, liabilities and contingent liabilities recognised on the date of acquisition. This review included engaging an external third party to determine the fair values of the property, plant and equipment acquired, resulting in the reallocation of mineral rights within CGUs at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Acquisition of business (continued)

The details of the fair values at the date of acquisition are set out below:

	Acquirees carrying amount on 1-Jun-09 US\$m	Fair value adjustments US\$m	Fair values US\$m
Cost of acquisition			
Cash paid	661.2	–	661.2
Acquisition costs	16.0	–	16.0
Total cost of acquisition	677.2	–	677.2
Fair values of assets and liabilities			
Cash and cash equivalents	28.5	–	28.5
Trade and other receivables	0.2	–	0.2
Inventories	172.2	15.7	187.9
Other assets	20.6	–	20.6
Property, plant and equipment	1,775.2	(308.3)	1,466.9
Deferred tax assets	22.7	(5.6)	17.1
Trade and other payables	(28.3)	–	(28.3)
Current tax payable	(64.9)	–	(64.9)
Provisions	(205.3)	–	(205.3)
Deferred tax liabilities	–	(5.8)	(5.8)
Interest-bearing liabilities	(703.9)	–	(703.9)
Fair value of assets and liabilities before non-controlling interest	1,017.0	(304.0)	713.0
Less non-controlling interest			(35.8)
Fair value of assets and liabilities			677.2
Cash flow attributable to acquisition of MMG			
Cash paid	661.2	–	661.2
Acquisition costs	16.0	–	16.0
Net cash acquired	(28.5)	–	(28.5)
Net cash outflow	648.7	–	648.7

Pro-forma results

If the acquisition had occurred on 8 April 2009, consolidated revenue and consolidated profit would have been \$1,096.4m and \$232.3m respectively. The pro-forma financial information does not necessarily represent what would have occurred if the transaction had taken place on 8 April 2009, and should not be taken as representative of the consolidated entity's future consolidated results of operations or financial position. The pro-forma information does not include all costs relating to the integration of MMG and the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the year ended

31 December
2010 US\$m

31 December
2009 US\$m

5 Revenue

Sales revenue - external parties	1,807.4	825.9
Sales revenue - related parties	112.5	26.9
Total revenue	1,919.9	852.8

6 Other income

Agent commission	2.2	-
Proceeds from sale of other assets	4.3	-
Other	2.2	0.7
Total other income	8.7	0.7

7 Expenses

Profit before income tax includes the following specific expenses:

Changes in inventories of finished goods and work in progress	77.2	31.1
Raw materials and other direct costs	(9.6)	(10.1)
Employee benefit expenses	(196.4)	(87.9)
Contracting and consulting expenses	(166.6)	(56.3)
Royalties expense	(76.7)	(37.0)
Energy costs	(125.1)	(74.3)
Stores and consumables costs	(244.9)	(115.4)
Depreciation and amortisation expense	(299.5)	(158.3)

Total cost of goods sold	(1,041.6)	(508.2)
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Selling expenses	(73.9)	(55.1)
Exploration and evaluation expenditure	(50.9)	(10.1)
Net foreign exchange gain/ (losses)	(17.1)	1.6
Administrative expenses	(55.0)	(23.2)

Other expenses	(83.7)	(66.6)
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Total other expenses	(138.7)	(89.8)
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Total expenses	(1,322.2)	(661.6)
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Other expenses represent contributions to defined contribution plans, operating lease expenses, contracting and consulting costs and employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the year ended

31 December
2010 US\$m

31 December
2009 US\$m

8 Net finance costs

Financing income

Interest income from cash and cash equivalents	4.1	1.1
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Total financing income	4.1	1.1
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Financing expenses

Interest and finance charges paid/payable- on loans which are wholly repayable within 5 years	(17.3)	(10.7)
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Interest and finance charges paid/payable- on loans which are not wholly repayable within 5 years	(7.8)	(4.8)
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Unwind of discount on provisions	(17.7)	(7.7)
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Total financing expenses	(42.8)	(23.2)
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Net finance costs	(38.7)	(22.1)
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9 Individually significant items

There were no individually significant items for the consolidated entity during the year ended 31 December 2010.

The individually significant items for the consolidated entity during the period ended 31 December 2009 were as follows:

Period ended 31 December 2009	Pre-tax US\$m	Tax impact US\$m	Post tax US\$m
Expenses incurred in relation to the Century pipeline failure	54.8	(16.5)	38.3
Total of individually significant items	54.8	(16.5)	38.3

On 5 October 2009, Century Mine detected a failure in the pipeline which transports concentrates in a slurry form from the mine operations at Lawn Hill to the dewatering and port facilities at Karumba on the Gulf of Carpentaria. Once the failure was detected, concentrate production was immediately shutdown at the mine. Following repairs and installation of a bypass, the pipeline was recommissioned and production resumed on 23 December 2009. During the period of the shutdown, the consolidated entity incurred post-tax expenses of \$38.3 million in relation to contractor and consultants, stores and consumables, property, insurance and other costs of idle-capacity. The individually significant items are included in the income statement in the cost of goods sold, depreciation and amortisation and other expenses accounts.

10 Income tax

(a) Income tax benefit/(expense) recognised in the income statement

	31 December 2010 US\$m	31 December 2009 US\$m
Current income tax benefit/(expense)	(150.9)	(43.3)
Deferred income tax benefit	25.2	54.2
Income tax benefit/(expense)	(125.7)	10.9

Deferred income tax benefit included in income tax benefit/ (expense) comprises:

Increase in deferred tax assets	25.2	48.4
Increase/ (decrease) in deferred tax liabilities	-	5.8
Total deferred income tax benefit	25.2	54.2

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the year ended

31 December 2010 US\$m 31 December 2009 US\$m

Income tax (continued)

(b) Numerical reconciliation of income tax (expense)/benefit to pre-tax net profit

Total profit/(loss) before income tax	567.7	169.8
Calculated at a taxation rate of 17% (2009: 17%)	(96.5)	(28.9)
Effect of different taxation rates in other places	(83.9)	(25.6)
Effect of tax exemption	-	-
Income not subject to tax	-	-
Expenses/ income not assessable/(deductible) for tax purposes	(8.2)	11.2
Utilisation of previously unrecognised tax losses	-	-
Tax losses for which no deferred income tax asset was recognised	-	-
Recognition of previously unrecognised deferred tax assets	65.8	54.2
(Under)/Over provision in prior years	(2.9)	-
Income tax benefit/(expense)	(125.7)	10.9

(c) Deferred tax assets and liabilities

The deferred tax assets and liabilities for the consolidated entity are set out in the table below.

	Property, Plant & Equipment US\$m	Provisions US\$m	Tax Losses US\$m	Inventories US\$m	Other assets US\$m	Total US\$m
Year ended 31 December 2010						
At 1 January	51.7	-	13.8	-	-	65.5
Credited/(Charged) to the Income Statement	(23.8)	62.8	(13.8)	-	-	25.2
(Charged) to Equity	-	-	-	-	(18.8)	(18.8)
Exchange differences	-	-	-	-	-	-
At 31 December	27.9	62.8	-	-	(18.8)	71.9

	Property, Plant & Equipment US\$m	Provisions US\$m	Tax Losses US\$m	Inventories US\$m	Other assets US\$m	Total US\$m
Period ended 31 December 2009						
At 1 January	-	-	-	-	-	-
Acquired through business combinations	17.1	-	-	(5.8)	-	11.3
Credited to the Income Statement	34.6	-	13.8	5.8	-	54.2
Credited/ (Charged) to Equity	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
At 31 December	51.7	-	13.8	-	-	65.5

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the year ended

31 December
2010 US\$m

31 December
2009 US\$m

Income tax (continued)

(d) Movement in current income tax liabilities

At the beginning of the period	59.6	–
Acquisition through business combination	–	64.9
Income tax paid	(81.6)	(48.6)
Income tax expense	150.9	43.3
At the end of the period	128.9	59.6

(e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Deductible temporary differences	55.2	121.0
Total unrecognised deferred tax assets	55.2	121.0

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

11 Dividends

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Ordinary dividends paid				
Final dividend for the year ended 31 December				
Fully franked	35.0	–	35.0	–
Other	305.0	–	305.0	–
	340.0	–	340.0	–
Non-controlling interest	32.9	2.0	–	–
Total dividends paid	372.9	2.0	340.0	–
Franking credits as at 31 December 2010	15.0	–	15.0	–
Franking credits arising from the payment of current tax payable	(15.0)	–	(15.0)	–
Total franking credits available	–	–	–	–

12 Employee benefit expense, including directors' emoluments

Salaries and other benefits	(247.1)	(106.9)
Retirement scheme (superannuation) contributions	(13.5)	(5.9)
Total	(260.6)	(112.8)

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

13 Retirement Schemes

The Group contributes to a superannuation fund for all Australian employees, which is established to provide benefits for employees and their dependants in retirement, disabilities or death. The superannuation plan requires defined contributions by reference to accumulated contributions plus income from fund contributed. In accordance with the applicable regulation in Australia, the Group is required to contribute at a minimum rate of 9% of basic salaries of the Australian employees.

14 Cash and cash equivalents

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Cash at bank and on hand	42.7	107.3	–	–
Deposits at call	174.8	144.0	–	–
Total cash and cash equivalents	217.5	251.3	–	–

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

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Australian dollars	29.6	124.5	–	–
United States dollars	185.7	124.4	–	–
Canadian dollars	0.9	1.1	–	–
Thai Baht	0.0	0.0	–	–
Lao Kip	0.1	0.3	–	–
Others	1.2	1.0	–	–
Total cash and cash equivalents	217.5	251.3	–	–

Refer Note 26 for details of cash and cash equivalents.

15 Trade and other receivables

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Current				
Trade receivables	104.6	88.5	–	–
Receivables from subsidiaries	–	–	17.2	–
Receivables from related parties	1.2	1.4	–	–
Other receivables	3.4	0.1	–	–
Total current trade and other receivables	109.2	90.0	17.2	–
Non-current				
Receivables from subsidiaries	–	–	692.7	710.5
Total non-current trade and other receivables	–	–	692.7	710.5
Total trade and other receivables	109.2	90.0	709.9	710.5

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Trade and other receivables (continued)

The majority of sales are made under contractual arrangements whereby provisional payment is received promptly after delivery and the balance within 30 to 90 days from delivery. All trade receivables are denominated in US\$. The aging analysis of the trade receivables is as follows:

	Consolidated			
	31 December 2010		31 December 2009	
	US \$m	%	US \$m	%
Trade receivables				
Less than 6 months	104.6	100	89.1	100
6 months- 1 year	-	-	-	-
Over 1 year	-	-	-	-
	104.6	100	89.1	100
Less:				
Provision for impairment	-	-	(0.6)	-
Trade receivables- net	104.6	-	88.5	-

As at each balance date, all trade and other receivables were aged less than six months.

16 Inventories

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Current				
Stores and consumables	90.3	58.8	-	-
Less impairment	(20.1)	(14.0)	-	-
	70.2	44.8	-	-
Finished goods	101.4	40.5	-	-
Work in progress	80.3	92.2	-	-
Total current inventories	251.9	177.5	-	-
Non-current				
Work in progress	24.4	23.5	-	-
Total non-current inventories	24.4	23.5	-	-
Total inventories	276.3	201.0	-	-

Total finished goods of \$101.4 million and work in progress ("WIP") of \$80.3 million are valued at cost. There was no finished goods or WIP valued at net realisable value at 31 December 2010 and 31 December 2009 as cost is deemed to be lower than net realisable value.

During the year/period there was inventory impairment of \$20.1 million (2009: \$14.0 million) recognised by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

17 Financial and other assets

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Current				
Prepayments (b)	14.4	12.0	1.7	2.1
Available-for-sale financial assets (a)	164.1	0.8	–	–
Other assets	8.5	9.5	–	–
Total current financial and other assets	187.0	22.3	1.7	2.1
Non-current				
Other assets	0.6	–	–	–
Receivables from subsidiaries	–	–	709.9	710.5
Investment in subsidiaries (c)	–	–	337.0	337.0
Total non-current financial and other assets	0.6	–	1,046.9	1,047.5

(a) The available-for-sale financial assets represent equity securities and the balance represents its market value as at 31 December 2010

	Consolidated	
	31 December 2010 US\$m	31 December 2009 US\$m
Available-for-sale financial assets		
At 1 January	0.8	0.6
Acquisitions	100.2	–
Fair value adjustment transferred to other comprehensive income	63.9	0.2
	164.1	0.8
Available-for-sale financial assets represent:		
Listed equity securities- outside of Singapore	164.1	0.8
Market value of listed securities	164.1	–

(b) Prepayments- deposits and other receivables- Consolidated

Prepayments – insurance and freight	1.8	2.0
Other prepayments:	12.6	10.0
- Rental	0.7	0.6
- Prepayments:		
General	7.4	5.6
Insurance (Workers Compensation etc)	0.9	1.5
Freight	1.6	0.2
Energy Prepayment	0.6	0.6
Council Rates	1.1	1.3
Other	0.3	0.2
Total	14.4	12.0

As at each balance date, all other receivables have a maturity of less than six months.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial and other assets (continued)

(c) Unquoted investments of the Company in subsidiaries comprise the following:

	Country of Incorporation	Principal Activities	Particulars of Issued or Paid Up Capital	Class of Share	Equity holding Dec 2010 %	Equity holding Dec 2009 %
Album Investment Pte Ltd	Singapore	Investment holding	488,211,900 Ordinary Share at SGD\$1 a share	Ordinary	100	100
Allegiance Exploration Pty Ltd	Australia	Non-operating entity	2 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Allegiance Metals Pty Ltd	Australia	Mineral exploration and production	1,015 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Allegiance Mining Operations Pty Ltd	Australia	Non-operating entity	2 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Allegiance Mining Processing Pty Ltd	Australia	Non-operating entity	2 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Allegiance Mining Pty Ltd	Australia	Investment holding	782,455,310 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Aoning Minerals Company Limited	PRC	Mineral exploration	N/A	Ordinary	80	80
Champa Mining Laos Pte Ltd	Singapore	Non-operating entity	1 Ordinary Share at USD\$1 a share	Ordinary	100	100
Chalcocite Pty Ltd	Australia	Investment holding	1 Ordinary Share at AUD\$1 a share	Ordinary	100	100
Eastren Pty Ltd	Australia	Non-operating entity	100 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Geothermal Energy Tasmania Exploration Pty Ltd	Australia	Non-operating entity	100 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Geothermal Energy Tasmania Holdings Pty Ltd	Australia	Non-operating entity	101 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Geothermal Energy Tasmania Pty Ltd	Australia	Non-operating entity	1 Ordinary Share at AUD\$1 a share	Ordinary	100	100
Geothermal Energy Tasmania West Coast Pty Ltd	Australia	Non-operating entity	100 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Investment Co Pty Ltd	Australia	Provision of infrastructure	20 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Ionex Pty Ltd	Australia	Non-operating entity	2 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
Lane Xang Minerals Limited	Laos	Mineral exploration and production	342,979 Ordinary Shares at USD\$1 a share	Ordinary	90	90
Lupin Mines Inc.	Canada	Mineral exploration	100 Common Shares at CD\$1 a share	Ordinary	100	100
MMG Australia Limited	Australia	Mineral exploration and production, management and employment services	490,000,000 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
MMG Canada Exploration Inc.	Canada	Mineral exploration	10 Common Shares at CD\$1 a share	Ordinary	100	100
MMG Canada Management Inc.	Canada	Investment holding	200 Common Shares at CD\$1 a share	Ordinary	100	100
MMG Canada Operations Inc.	Canada	Mineral exploration	200 Common Shares at CD\$1 a share & 345,761 Preference shares at CD\$1 a share	Ordinary/ Preference	100	100

NOTES TO THE FINANCIAL STATEMENTS

MMG Century Limited	Australia	Mineral exploration and production	30 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
MMG Exploration Pty Ltd	Australia	Investment holding	1 Ordinary Share at AUD\$1 a share	Ordinary	100	100
MMG Exploration Singapore (Number One) Pt Ltd	Singapore	Investment holding	1 Ordinary Share at USD\$1 a share	Ordinary	100	100
MMG Exploration Singapore (Number Two) Pte Ltd	Singapore	Investment holding	1 Ordinary Share at USD\$1 a share	Ordinary	100	100
MMG Golden Grove Pty Ltd	Australia	Mineral exploration and production	1 Ordinary Share at AUD\$1 a share	Ordinary	100	100
MMG Insurance Singapore Pte Ltd	Singapore	Insurance services	3,783,000 Ordinary Shares at USD\$1 a share	Ordinary	100	100
MMG International Enterprises Pty Ltd	Australia	Investment holding	2 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
MMG Laos Holdings Limited	Cayman Islands	Investment holding	152,100,000 Ordinary Shares at USD\$1 a share	Ordinary	100	100
MMG Management Pty Ltd	Australia	Treasury and management services	1 Ordinary Share at AUD\$1 a share	Ordinary	100	100
MMG Netherlands Holdings Cooperative UA	Netherlands	Investment holding	N/A	Ordinary	100	100
MMG Resources Inc.	Canada	Mineral exploration	90,750,378 Common Shares at CD\$1 a share	Ordinary	100	100
MMG Super Metals Pty Ltd	Australia	Investment holding	2 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
MMG Swedish Enterprises AB	Sweden	Non-operating entity	11,000 Shares at €1 a share	Ordinary	100	100
MMG USA Limited	USA	Management services and investment holding	1,000 Ordinary Shares at USD\$1 a share	Ordinary	100	100
MMG USA Exploration LLC (USA)	USA	Mineral exploration	100 Ordinary Shares at USD\$1 a share	Ordinary	100	100
Navakun Mining Co. Ltd	Thailand	Mineral exploration	25,000 ordinary Shares at 100 Baht a share	Ordinary	100	100
PCML SPC Pty Ltd	Australia	Investment holding	10 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
PPTV Pty Ltd	Australia	Non-operating entity	20 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
PT Bintang Sumberdaya (i)	Indonesia	Mineral exploration	550 Ordinary Shares	Ordinary	-	-
PT Explorasi Indonesia Jaya (i)	Indonesia	Mineral exploration	550 Ordinary Shares	Ordinary	-	-
PT Gunung Mulia Minerals (i)	Indonesia	Mineral exploration	550 Ordinary Shares	Ordinary	-	-
PT Multi Mineral Explorasi (i)	Indonesia	Mineral exploration	550 Ordinary Shares at Rp 1,000,000 a share	Ordinary	-	-
PT Oxindo Exploration (i)	Indonesia	Mineral exploration	1,000,000 Ordinary Shares at USD\$1 a share	Ordinary	-	-
PT Panah Emas (i)	Indonesia	Mineral exploration	2,500,000 Ordinary Shares at Rp 100 a share	Ordinary	-	-
Southern Laos Mining Pte Ltd	Singapore	Non-operating entity	1 Ordinary Share at USD\$1 a share	Ordinary	100	100
SPC (Nominees) Pty Ltd	Australia	Non-operating entity	20 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
SPC 1 Pty Ltd	Australia	Investment holding	20 Ordinary Shares at AUD\$1 a share	Ordinary	100	100
SPC 2 Pty Ltd	Australia	Investment holding	20 Ordinary Shares at AUD\$1 a share	Ordinary	100	100

NOTES TO THE FINANCIAL STATEMENTS

Wiluna Exploration Pty Ltd	Australia	Mineral exploration	16,200,000 Ordinary Shares at AUD\$1 a share	Ordinary	100	–
Zeemain Pty Ltd	Australia	Investment holding	50 Ordinary Shares at AUD\$1 a share	Ordinary	50	50

(i) These Indonesian entities are ultimately controlled by Album Resources Private Limited via a corporation agreement with the Directors and shareholders of the entities.

(ii) All subsidiaries are carried at cost net of impairment.

(iii) PricewaterhouseCoopers network firms have been appointed as auditor of all subsidiaries for each of the relevant periods.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

18 Property, plant and equipment

	Freehold land and buildings US\$m	Plant and equipment US\$m	Mine property and development US\$m	Exploration and evaluation US\$m	Construction in progress US\$m	Total property, plant and equipment US\$m
Consolidated entity						
Year ended 31 December 2010						
Cost						
At the beginning of the year	144.8	871.6	587.8	3.9	43.9	1,652.0
Additions	0.9	56.6	239.9	–	103.3	400.7
Disposals	–	(0.1)	–	–	–	(0.1)
Transfers	(16.5)	22.6	25.4	(2.0)	(29.6)	–
At the end of the year	129.2	950.7	853.1	1.9	117.7	2,052.6
Accumulated depreciation						
At the beginning of the year	11.1	90.9	56.3	–	–	158.3
Depreciation and amortisation expense	13.6	100.4	222.4	0.1	–	336.5
Disposals	–	–	–	–	–	–
Transfers	–	–	(0.5)	0.5	–	–
At the end of the year	24.7	191.3	278.2	0.6	–	494.8
Net book value at end of year	104.5	759.4	574.9	1.3	117.7	1,557.8
Period ended 31 December 2009						
Cost						
At the beginning of the period	–	–	–	–	–	–
Acquisitions through business combination (Note 4)	114.7	828.8	438.4	2.9	82.1	1,466.9
Additions	21.4	26.5	130.7	1.0	7.3	186.9
Disposals	–	(1.8)	–	–	–	(1.8)
Transfers	8.7	18.1	18.7	–	(45.5)	–
At the end of the period	144.8	871.6	587.8	3.9	43.9	1,652.0
Accumulated depreciation						
At the beginning of the period	–	–	–	–	–	–
Depreciation and amortisation expense	11.1	90.9	56.3	–	–	158.3
At the end of the period	11.1	90.9	56.3	–	–	158.3
Net book value at end of period	133.7	780.7	531.5	3.9	43.9	1,493.7

Other than leased fleet (refer note 20), no assets of the Group have been used as security for liabilities of the consolidated entity or for any other person.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

19 Trade and other payables

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Trade payables and accruals	145.2	140.2	-	-
Payables to subsidiaries	-	-	1.2	2.4
Other payables	11.8	3.5	-	0.6
Total trade and other payables	157.0	143.7	1.2	3.0

The aging analysis of the trade payables is as follows:

	2010		2009	
	US \$m	%	US \$m	%
Trade payables				
Less than 6 months	145.2	100	140.2	100
6 months- 1 year	-	-	-	-
Over 1 year	-	-	-	-

As at each balance date, all other payables were aged less than six months.

20 Interest-bearing liabilities

Current

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Current				
External bank loans	17.2	-	17.2	-
Lease liabilities – secured	1.1	1.1	-	-
Other loans	0.3	-	-	-
Total current interest-bearing liabilities	18.6	1.1	17.2	-

Non-current

External bank loans	1,077.8	1,095.0	692.8	710.0
Lease liabilities – secured	3.2	4.9	-	-
Other loans	-	0.9	-	-
Total non-current interest-bearing liabilities	1,081.0	1,100.8	692.8	710.0

(a) Aggregate of current and non-current interest-bearing liabilities

External bank loans (c)	1,095.0	1,095.0	710.0	710.0
Lease liabilities (b)	4.3	6.0	-	-
Other loans	0.3	0.9	-	-
Aggregated interest-bearing liabilities	1,099.6	1,101.9	710.0	710.0

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Interest-bearing liabilities (continued)

(b) (i) Finance lease liabilities

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Commitments in relation to finance leases are payable as follows:			-	-
Within one year	1.7	2.0	-	-
Later than one year but not later than five years	4.0	7.1	-	-
	5.7	9.1	-	-
Future finance charges	(1.4)	(3.1)	-	-
Recognised as a liability	4.3	6.0	-	-

(ii) Leased plant and equipment

Leased equipment

Cost	1.8	6.2	-	-
Accumulated Depreciation	(0.6)	(1.1)	-	-
Net book value	1.2	5.1	-	-

The consolidated entity leases various plant and equipment with a carrying amount of \$1.2 million under finance leases expiring within five years.

The bank loans of the consolidated entity are secured by guarantees from the ultimate parent of Album Resources Private Limited, China Minmetals Non-Ferrous Metals Company Limited (CMN). The \$366 million facility with China Development Bank (CDB), \$144 million facility with Bank of China (Singapore Branch) and \$385 million facility with Bank of China (Sydney Branch) are guaranteed by CMN. Refer to Note 26 for details of the consolidated entity's financing arrangements and bank loans repayment analysis.

Interest bearing liabilities include an external borrowing of \$200 million from CDB which is secured by a share charge to the lender of 100 per cent of the shares held in its wholly owned subsidiary, Album Investment Pte Ltd, a mortgage over 70 per cent of the shares in certain subsidiaries of Album Investment and a mortgage over 70 per cent of shares in MMG Laos Holdings Limited.

(c) Bank borrowings – Consolidated

An analysis of the carrying amounts of the bank borrowings by type and currency is as follows:

	31 December 2010 US\$m	31 December 2009 US\$m
United States dollars		
- at floating rates	1,095.00	1,095.00

The effective interest rates at the balance sheet date were as follows:

	31 December 2010 %	31 December 2009 %
Bank borrowings:		
USD 385 million	1.66	1.65
USD 144 million	1.86	1.86
USD 366 million	1.96	1.96
USD 200 million	2.46	2.46
Weighted-average interest rate	1.99	1.98

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

21 Provisions

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Current				
Employee benefits	40.2	23.4	–	–
Workers' compensation	2.0	1.4	–	–
Mine rehabilitation, restoration and dismantling (a)	4.9	–	–	–
Other provisions (b)	6.0	10.7	–	–
Total current provisions	53.1	35.5	–	–
Non-current				
Employee benefits	6.8	5.7	–	–
Workers' compensation	5.3	4.4	–	–
Mine rehabilitation, restoration and dismantling (a)	305.5	221.3	–	–
Total non-current provisions	317.6	231.4	–	–
Aggregate				
Employee benefits	47.0	29.1	–	–
Workers' compensation	7.3	5.8	–	–
Mine rehabilitation, restoration and dismantling (a)	310.4	221.3	–	–
Other provisions (b)	6.0	10.7	–	–
Total provisions	370.7	266.9	–	–
(a) Mine rehabilitation, restoration and dismantling				
Opening carrying amount	221.3	–	–	–
Acquisition through business combination	–	169.6	–	–
Additional provisions recognised	71.6	49.0	–	–
Reversal of provisions	(0.2)	–	–	–
Payments made	–	(5.0)	–	–
Unwind of discount	17.7	7.7	–	–
Closing carrying amount	310.4	221.3	–	–
The provision for mine rehabilitation, restoration and dismantling includes the anticipated costs of future rehabilitation, restoration and dismantling of mining areas from which natural resources have been extracted. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. Of the above provision for mine rehabilitation, US\$16 million (2009: \$16 million) related to exploration. Refer to Note 2 for further details regarding the uncertainties about the timing of the cash outflows and other assumptions.				
(b) Other provisions				
Opening carrying amount	10.7	–	–	–
Acquisition through business combination	–	5.9	–	–
Additional provisions recognised	0.7	6.9	–	–
Reversal of provisions	–	–	–	–
Payments made	–	(2.1)	–	–
Write back of onerous leases	(5.4)	–	–	–
Closing carrying amount	6.0	10.7	–	–

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the period ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
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Provisions (continued)

Other provisions relate predominantly to provisions for other taxes and onerous contracts where the expected benefit to be derived by the consolidated entity from a contract is lower than the unavoidable cost of meeting its obligation under the contract. The obligation for the discounted future payments has been provided for.

22 Issued capital

(a) Issued and fully paid up ordinary shares:

488,211,901 ordinary shares	337.0	337.0
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The Company does not have authorised capital or par value in respect of its issued shares. Ordinary shares entitle the holder to participate in dividends as and when declared and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each holder is entitled to one vote per share.

(b) Movements in ordinary share capital

One share issued to the sole subscriber on incorporation was transferred to and registered in the name of Album Enterprises Limited on 9 April 2009.

Date	Details	Number of Shares	December 2010 US\$m
31/12/2009	Opening balance	488,211,901	337.0
31/12/2010	Closing balance	488,211,901	337.0

Date	Details	Number of Shares	December 2009 US\$m
08/04/2009	Opening balance	—	—
09/04/2009	Shares transferred to immediate holding company	1	—
30/12/2009	Shares issued and allotted to immediate holding company	488,211,900	337.0
31/12/2009	Closing balance	488,211,901	337.0

(c) Capital risk management

The maintenance of the consolidated entity's capital base is important for its ability to continue as a going concern in the interests of the consolidated entity, its shareholders and other stakeholders. The consolidated entity's objectives when managing capital are to maintain a strong capital base capable of withstanding significant cash flow variability, while providing the flexibility to pursue its growth aspirations. The capital structure of the consolidated entity consists of debt, which includes interest-bearing liabilities as disclosed in Note 20, cash and cash equivalents as disclosed in Note 14 and equity as disclosed in Note 24. Monitoring the capital base is performed using cash flow analysis, the budgeting process and performing sensitivity analysis. The consolidated entity will balance its overall capital structure through the issue of new shares, share buy-backs, capital returns and the payment of dividends, as well as the issue of new debt or redemption of existing debt.

The consolidated entity is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the period ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
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23 Reserves, retained earnings and non-controlling interest

Reserves (a)	43.5	0.2
Retained earnings (b)	254.1	172.5
Non-controlling interest (c)	29.5	42.0
Total reserves, retained earnings and non-controlling interest	327.1	214.7

(a) Reserves

Movements in available-for-sale asset reserve:

Available-for-sale asset reserve at beginning of year/period	0.2	–
Change in fair value of available-for-sale assets, net of tax	43.3	0.2
Available-for-sale asset reserve at end of year/period	43.5	0.2

The available-for-sale asset reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

(b) Retained earnings

Movements in retained earnings:

Retained earnings at beginning of year/period	172.5	–
Net profit after tax attributable to members of Album Resources Private Limited	421.6	172.5
Dividends paid	(340.0)	–
Retained earnings at end of year/period	254.1	172.5

(c) Non-controlling interest

Movements in non-controlling interest:

Non-controlling interest at beginning of year/period	42.0	–
Acquisition through business combination	–	35.8
Net profit after tax attributable to non-controlling interest	20.4	8.2
Dividend paid	(32.9)	(2.0)
Non-controlling interest at end of year/period	29.5	42.0

The non-controlling interest includes a 10 per cent interest in Lang Xang Minerals Limited which includes the Sepon operating segment.

(d) Retained earnings of the Company

Movements in retained earnings:

Retained earnings at the beginning of the year/period	(0.4)	–
Net profit/(loss) for the year/period	340.8	(0.4)
Dividends paid	(340.0)	–
Retained earnings at the end of the period	0.4	(0.4)

24 Total equity

Total equity at the beginning of the financial period	551.7	–
Total changes in retained earnings – Note 23	81.6	172.5
Total changes in reserves – Note 23	43.3	0.2
Total changes in non-controlling interest – Note 23	(12.5)	42.0
Total changes in issued capital – Note 22	–	337.0
Total equity at end of period	664.1	551.7

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the period ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
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25 Reconciliation of profit after income tax to net cash flows from operating activities

Profit for the year/period	442.0	180.7
Depreciation and amortisation	299.5	158.3
Financing expenses reported in financing activities	25.1	15.2
Financing income reported in investing activities	(4.1)	(1.1)
Non-cash borrowing costs	17.7	7.7
FX gain/(loss)	17.1	(1.6)
Other non-cash items	8.6	(3.2)
(Gain)/loss on disposal of property, plant and equipment	(2.4)	1.8
Change in assets and liabilities:		
Trade and other receivables	(19.2)	(90.0)
Other assets	(1.4)	(3.6)
Inventories	(75.3)	(13.1)
Trade and other payables	13.3	118.7
Deferred tax assets	(25.2)	(48.4)
Current tax liabilities	69.2	(8.5)
Deferred tax liabilities	–	(5.8)
Net cash inflow from operating activities	764.9	307.1

Included in payments to suppliers and employees is a payment of \$50.9m for exploration expenses.

The movement in deferred tax liabilities excludes movements recognised directly in other comprehensive income.

26 Financial risk management

The consolidated entity's activities expose it to a variety of financial risks such as:

- Market risk consisting of commodity price risk, equities price risk, foreign currency exchange risk and interest rate risk (refer Note 26(a) below);
- Credit risk (refer Note 26(b) below);
- Liquidity risk (refer Note 26(c) below); and
- Fair value measurements (refer Note 26(d) below).

This note presents information about the consolidated entity's exposure to each of the above financial instrument risks, its objectives, policies and processes for measuring and managing risk and quantitative disclosures.

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

The consolidated entity holds the following financial instruments at the reporting date:

Financial assets			
Cash and cash equivalents	14	217.5	251.3
Trade receivables	15	104.6	88.5
Related party receivables	15	1.2	1.4
Available for-sale financial assets	17	164.1	0.8
		487.4	342.0
Financial liabilities			
Trade payables	19	145.2	140.2
Interest-bearing liabilities	20	1,099.6	1,101.9
		1,244.8	1,242.1

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial risk management (continued)

(a) Market risk management

The consolidated entity's activities expose the group primarily to financial risks of changes in commodity prices, equity prices, foreign currency exchange rates and interest rates. The consolidated entity uses a combination of sensitivity analysis and cash flow forecasting to assess these risks which are regularly reported to the Executive Committee.

(i) Equities price risk

The consolidated entity is exposed to equity securities price risk. This arises from investments held by the consolidated entity and classified in the balance sheet as available-for-sale.

The majority of the consolidated entity's equity investments are publicly traded.

The following table details the consolidated entity's sensitivity to movement in mining indices. At reporting date, if the consolidated entity's equity instruments moved according to the historical correlation with the indices and all other variables were held constant, the consolidated entity's equity would have increased/(decreased) as set out below.

Available-for-sale financial asset	EQUITIES PRICE RISK				
	Equity securities US\$m	12 mnth movement in price (increase 21%)	Impact on equity	12 mnth movement in price (decrease 21%)	Impact on equity
Value of investment at year-end	164.1	198.6	34.5	129.6	(34.5)
Total	164.1				

Equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale. There would be no impact on the consolidated entity's profit.

(ii) Commodity price risk management

The consolidated entity is exposed to commodity price volatility on commodity sales made by the mines. This arises from sale of metal and metal in concentrate products such as zinc, copper, lead, gold and silver, which are priced on, or benchmarked to, open market exchanges. The consolidated entity generally believes commodity price hedging would not provide long-term benefit to its shareholders. There are no commodity hedges in place as at the end of December 2010.

In accordance with the requirements of FRS, the sensitivity analysis provided below discloses the consolidated entity's exposure to the risk on the outstanding balance of financial assets and liabilities at the reporting date.

Commodity price sensitivity analysis

The following table details the consolidated entity's sensitivity to movement in commodity prices. At reporting date, if the commodity prices increased/(decreased) by the market consensus twelve month forecast commodity price movement and all other variables were held constant, the consolidated entity's after tax profit would have increased/(decreased) as set out below.

In accordance with FRS, the sensitivity analysis includes the impact of the movement in commodity prices only on the outstanding trade receivables at the end of the period, which was \$104.6 million (2009: \$88.5 million) and does not include the impact of the movement in commodity prices on the total revenue for the period. The outstanding trade receivables by commodity at the reporting date are set out in Note 26(b).

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial risk management (continued)

2010			
Commodity	Forecast 12 month commodity price movement	Increase profit US\$m	Decrease profit US\$m
Zinc	1.4%	0.3	(0.3)
Copper	2.9%	1.2	(1.2)
Lead	2.3%	0.1	(0.1)
Gold	0.2%	-	-
Silver	0.5%	-	-
Total		1.6	(1.6)

2009			
Commodity	Forecast 12 month commodity price movement	Increase profit US\$m	Decrease profit US\$m
Zinc	5.6%	1.5	(1.5)
Copper	1.3%	0.4	(0.4)
Gold	9.1%	0.6	(0.6)
Total		2.5	(2.5)

Revenue on provisionally priced sales is recognised at the estimated fair value of the total consideration received or receivable. Contract terms for many of the consolidated entity's zinc, copper, lead, gold, silver and metal in concentrate sales allow for a price adjustment based on a final assay of the goods by the customer to determine content. Recognition of the sales revenue for these commodities is based on the most recently determined estimate of product specifications with a subsequent adjustment made to revenue upon final determination.

(iii) Foreign currency exchange risk management

The consolidated entity operates internationally and is exposed to foreign currency exchange risk. The consolidated entity's reporting currency and functional currency of the majority of subsidiaries with the consolidated entity is US dollars. The majority of revenue received by the consolidated entity is US dollars. The consolidated entity's foreign currency exchange risk arises predominantly from the currency in which the consolidated entity's mines are located. The Australian dollar is the most important currency (apart from the US dollar) influencing costs.

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

The long-term relationship between commodity prices and the currencies of the countries where the consolidated entity operates provides a degree of natural protection. However, the consolidated entity may choose to hedge large foreign currency exposures such as capital expenditure, dividends or tax payments. Foreign currency spot deals are used to meet Australian dollar requirements and are reported monthly to the Executive Committee.

There were no foreign exchange derivatives outstanding as at 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial risk management (continued)

The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity's operations denominated in currencies other than the functional currency of the operations:

	Denominated in AUD	Denominated in CAD	Denominated in Other
As at 31 December 2010			
Consolidated			
Financial assets			
Cash and cash equivalents	29.6	0.9	0.1
Trade receivables	–	–	0.9
Available for sale financial assets	51.2	112.9	–
Financial liabilities			
Trade payables	(105.6)	(0.4)	–
Interest-bearing liabilities	(4.6)	–	–
Total	(29.4)	113.4	1.0
Company			
Financial assets			
Cash and cash equivalents	–	–	–
Financial liabilities			
Trade payables	–	–	–
Total	–	–	–
As at 31 December 2009			
Consolidated			
Financial assets			
Cash and cash equivalents	124.9	–	2.0
Financial liabilities			
Trade payables	(118.2)	–	(0.4)
Interest-bearing liabilities	(6.9)	–	–
Total	(0.2)	–	1.6
Company			
Financial assets			
Cash and cash equivalents	–	–	–
Financial liabilities			
Trade payables	–	–	–
Total	–	–	–

The following US dollar exchange rates were applied during the year:

	Average rate	Dec 2010 spot rate
AUD:USD	0.9192	1.017

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 2.4 per cent change in the AUD / USD and a 5.4 per cent change in the CAD/USD foreign exchange rate. This percentage change reflects the market consensus twelve month forecast foreign exchange rate movement.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial risk management (continued)

If the foreign currency exchange rates strengthened/(weakened) against the functional currency by the above foreign exchange rate changes, and all other variables were held constant, the consolidated entity's after tax profit and equity would have increased/(decreased) by \$3.8 million.

(iv) Interest rate risk management

The consolidated entity is exposed to interest rate volatility on deposits and borrowings. Deposits and borrowings at variable rates expose the consolidated entity to cash flow interest rate risk. Deposits and borrowings at fixed rates expose the consolidated entity to fair value interest rate risk. Any decision to hedge interest rate risk is assessed at the inception of each floating rate debt facility in light of the overall consolidated entity's exposure, the prevailing interest rate market and any funding counterparty requirements.

It is the consolidated entity's preference to borrow and invest at floating rates of interest. This approach is based on historical correlation between interest rates and commodity prices. As at the end of December 2010, all of the consolidated entity's debt was floating rate debt. The interest charged on floating rate debt is based on the relevant national inter-bank rates and repriced at least semi-annually.

Monthly reporting is provided to the Executive Committee, which summarises the consolidated entity's debt and interest rates.

The table below analyses the consolidated entity's financial assets and liabilities into relevant maturity categories based on the remaining period from the balance sheet date to the contractual maturity date.

	Notes	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Consolidated							
As at 31 December 2010							
Financial assets							
Cash at bank		42.7	–	–	–	–	42.7
Short-term deposits		174.8	–	–	–	–	174.8
	14	217.5	–	–	–	–	217.5
Financial liabilities							
Bank loans		(8.6)	(8.6)	(785.4)	(103.2)	(189.2)	(1,095.0)
Other loans		(0.3)	–	–	–	–	(0.3)
Lease liabilities		(0.5)	(0.6)	(1.2)	(2.0)	–	(4.3)
	20	(9.4)	(9.2)	(786.6)	(105.2)	(189.2)	(1,099.6)
Net interest-bearing financial assets and liabilities		208.1	(9.2)	(786.6)	(105.2)	(189.2)	(882.1)
Company							
Financial liabilities							
Bank loans	20	(8.6)	(8.6)	(400.4)	(103.2)	(189.2)	(710.0)
Net interest-bearing financial assets and liabilities		(8.6)	(8.6)	(400.4)	(103.2)	(189.2)	(710.0)

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial risk management (continued)

Consolidated

As at 31 December 2009

Financial assets

Cash at bank	107.3	–	–	–	–	107.3
Short-term deposits	144.0	–	–	–	–	144.0
	14	251.3	–	–	–	251.3

Financial liabilities

Bank loans	—	—	—	(751.0)	(344.0)	(1,095.0)	
Other loans	(0.4)	(0.5)	—	—	—	(0.9)	
Lease liabilities	(0.7)	(0.4)	(1.7)	(3.2)	—	(6.0)	
	20	(1.1)	(0.9)	(1.7)	(754.2)	(344.0)	(1,101.9)

Net interest-bearing financial assets and liabilities

250.2	(0.9)	(1.7)	(754.2)	(344.0)	(850.6)
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Company

Financial liabilities

Bank loans	20	–	–	–	(366.0)	(344.0)	(710.0)
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Net interest-bearing financial assets and liabilities

–	–	–	(366.0)	(344.0)	(710.0)
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Interest rate sensitivity analysis

The following table details the consolidated entity's sensitivity to movement in the interest rates. The sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

At reporting date, if the interest rate increased/(decreased) by 100 basis points, and all other variables were held constant, the consolidated entity's after tax profit and equity would have increased/(decreased) as follows:

	As at 31 December 2010			
	+100 bps		-100 bps	
	Profit	Equity	Profit	Equity
Financial assets				
Cash and cash equivalents	1.5	–	(1.5)	–
Financial liabilities				
Bank loans	(7.7)	–	7.7	–
Total	(6.2)	–	6.2	–

	As at 31 December 2009			
	+100 bps		-100 bps	
	Profit	Equity	Profit	Equity
Financial assets				
Cash and cash equivalents	1.8	–	(1.8)	–
Financial liabilities				
Bank loans	(7.7)	–	7.7	–
Total	(5.9)	–	5.9	–

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial risk management (continued)

(b) Credit risk management

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

At the reporting date, the carrying amount of the consolidated entity's financial assets represents the maximum credit exposure which was as follows:

		31 December 2010 US\$m	31 December 2009 US\$m
Cash and cash equivalents	14	217.5	251.3
Trade receivables	15	104.6	88.5
Total		322.1	339.8

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

The consolidated entity had \$10.7 million (2009: \$0.4 million) cash and cash equivalents not available for use as at 31 December 2010.

The consolidated entity's most significant customer is Nyrstar. The revenue earned from Nyrstar by the consolidated entity was approximately 33 per cent (2009: 58 per cent) of consolidated revenue as at the reporting date. The largest debtor at 31 December 2010 was Trafigura with a balance of \$30 million.

Credit risk arising from sales to Nyrstar and other large concentrate customers are managed by contracts that stipulate a provisional payment of at least 90 per cent of the estimated value of each sale. This is payable either promptly after vessel loading or upon vessel arriving at the discharge port. Title to the concentrate does not pass to the buyer until this provisional payment is made. 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 maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Australia	30.0	27.9
Europe	57.1	25.7
Asia	15.7	28.6
USA	1.8	6.3
	104.6	88.5

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	31 December 2010 US\$m	31 December 2009 US\$m
Zinc	26.3	37.1
Copper	60.8	39.9
Lead	5.2	1.5
Gold	12.3	10.0
	104.6	88.5

The consolidated entity does not have any significant receivables which are past due at the reporting date. Total impairment losses for the consolidated entity for the reporting period were nil.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Financial risk management (continued)

(c) Liquidity risk management

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

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

The information provided below summarises the consolidated entity's position at 31 December 2010. The following are the contractual maturities of the consolidated entity's financial liabilities as at 31 December 2010. The contractual cash flows reflect the undiscounted amounts and include both interest and principal cash flows based on the terms of the financing arrangements that existed at 31 December 2010.

		Balance Sheet carrying amount US\$m	Contractual principal and interest cash flows					Total US\$m
Notes			6 months or less US\$m	6 to 12 months US\$m	1 to 2 years US\$m	2 to 5 years US\$m	More than 5 years US\$m	
As at 31 December 2010								
Bank loans	20	1,095.0	19.2	19.2	806.5	132.7	200.6	1,178.2
Other loans	20	0.3	0.3	-	-	-	-	0.3
Lease liabilities	20	4.3	0.8	0.9	1.6	2.4	-	5.7
Trade payables	19	145.2	145.2	-	-	-	-	145.2
		1,244.8	165.5	20.1	808.1	135.1	200.6	1,329.4
Company								
Bank loans	20	710.0	16.0	16.0	415.2	129.6	200.6	777.4
		710.0	16.0	16.0	415.2	129.6	200.6	777.4
As at 31 December 2009								
Bank loans	20	1,095.0	10.6	10.6	21.1	780.5	355.4	1,178.2
Other loans	20	0.9	0.4	0.5	-	-	-	0.9
Lease liabilities	20	6.0	0.7	1.3	2.0	5.1	-	9.1
Trade payables	19	140.2	140.2	-	-	-	-	140.2
		1,242.1	151.9	12.4	23.1	785.6	355.4	1,328.4
Company								
Bank loans	20	710.0	7.4	7.4	14.8	392.4	355.4	777.4
		710.0	7.4	7.4	14.8	392.4	355.4	777.4

NOTES TO THE FINANCIAL STATEMENTS

Alumina Resources Private Limited and its subsidiaries

Financial risk management (continued)

The consolidated entity's liquidity risk has the following financing arrangements in place at reporting date:

Consolidated	31 December 2010 US\$m	31 December 2009 US\$m
Bank loan facilities – available	1,095.0	1,095.0
Bank guarantees and letter of credit facilities – available	271.5	238.6
Facilities – unused	(164.8)	(143.0)
Bank loan facilities – used	1,201.7	1,190.6
Lease facilities – available	4.3	6.0
Lease facilities – unused	–	–
Lease facilities – used	20	6.0

Company	31 December 2010 US\$m	31 December 2009 US\$m
Bank loan facilities – available	710.0	710.0
Facilities – unused	–	–
Bank loan facilities – used	710.0	710.0
Lease facilities – available	–	–
Lease facilities – unused	–	–
Lease facilities – used	20	–

The \$1,095 million in bank facilities consists of \$751 million fully drawn term loans repayable in June 2012 and \$344 million amortising loans to be repaid by June 2016 against agreed repayment schedules. The letter of credit facility of \$271.5 million can be partly drawn as a revolving cash advance to \$162.7 million. The facilities are either secured by a guarantee from the ultimate parent company, China Minmetals Non-Ferrous Metals Company Limited, or a share pledge. As at 31 December 2009, \$106.9m of these facilities had been used as guarantees.

(d) Fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The amendment to FRS 107 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the consolidated entity's assets measured and recognised at fair value at 31 December 2010. The consolidated entity did not have any equity securities held as available-for-sale financial assets in 2009. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the period ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
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Financial risk management (continued)

Consolidated- at 31 Dec 2010	Level 1 \$USm	Level 2 \$USm	Level 3 \$USm	Total \$USm
Assets				
Available-for-sale financial assets				
Equity securities	164.1	-	-	164.1
Total assets	164.1	-	-	164.1

The carrying amount of all financial assets and liabilities recognised on the balance sheet approximates their fair value. The fair value of financial instruments traded in active markets is based on quoted market prices at the end of 31 December 2010. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

27 Commitments for expenditure

(a) Capital and non-capital commitments

Commitments for acquisition of capital and non-capital commitments contracted for at the reporting date but not recognised as liabilities, payable are set out in the table below.

Within one year	41.0	43.3
Later than one year but not later than five years	18.2	13.0
Later than five years	-	0.9
Total capital and non-capital commitments	59.2	57.2

(b) Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	3.3	2.9
Later than one year but not later than five years	17.3	11.8
Later than five years	8.9	6.3
Total operating lease commitments	29.5	21.0

28 Contingent liabilities

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

Certain bank guarantees have been provided in connection with the operations of certain of the subsidiaries of the Company, primarily associated with the terms of mining leases or exploration licences. At the end of the period, no claims have been made under these guarantees. The amount of these guarantees may vary from time to time depending upon the requirements of the relevant regulatory authority. These guarantees amount to \$112.8 million. Provision is made in the financial statements for the anticipated costs of the mine rehabilitation obligations under the mining leases and exploration licenses (refer Note 20).

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the period ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
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29 Related parties

(a) Holding companies

Prior to 31 December 2010, the immediate holding company of Album Resources Private Limited was Album Enterprises Limited. The intermediate holding company of Album Resources Private Limited was China Minmetals Non-Ferrous Metals Company Limited, a company incorporated in the People's Republic of China (PRC) and the ultimate holding company is China Minmetals Corporation, a company incorporated in the PRC. China Minmetals Corporation is a state-owned enterprise and is controlled by the PRC Government.

Following the acquisition by Minmetals Resources Limited (MMR) of Album Resources Private Limited, the immediate holding company of Album Resources Private Limited is All Glorious Limited, a company incorporated in the British Virgin Islands. The intermediate holding company of Album Resources Private Limited is MMR, a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange. China Minmetals Non-Ferrous Metals Company Limited is a controlling shareholder of MMR, and remains a holding company of Album Resources Private Limited. The ultimate holding company is China Minmetals Corporation.

(b) Subsidiaries

The Company's interest in subsidiaries is set out in Note 17.

(c) Key management personnel remuneration

The key management personnel remuneration for the consolidated entity were as follows:

Short-term employee benefits	9,358,136	5,263,028
Other long-term benefits (ii)	1,398,034	358,465
Post-employment benefits	120,998	28,844
Termination benefits	971,819	-
Share-based payments	-	-
Total	11,848,987	5,650,337

- (i) During the period, no Director has entered into a material contract with the consolidated entity and there were no material contracts involving directors' interests existing at 31 December 2010.
- (ii) Included in emoluments are amounts due to key management personnel under the 2009 and 2010 Long Term Incentive Plans (LTIP). The 2009 emoluments previously excluded amounts due under the 2009 LTIP as they were unable to be reliably measured. In the current period the 2009 emoluments have been adjusted to reflect the amounts due under the 2009 plan.

(d) Transactions with related parties

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the consolidated entity during the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis, excluding the loan from related parties.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries for the period ended	Notes	31 December 2010 US\$m	31 December 2009 US\$m
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Related parties (continued)

Transactions between Album Resources Private Limited and other entities within the wholly owned group during the period consisted of:

Balances with related parties			
Receivable from related parties (i)		1.5	1.4
Sales of goods to related parties			
Sales of goods to subsidiaries (ii)	5	112.5	26.9

(i) Receivables from other related parties relates to amounts payable by the intermediate holding company China Minmetals Non-Ferrous Metals Company Limited in relation to sales of concentrates as summarized in (ii) below.

(ii) Sales of goods to subsidiaries relates to the sales of concentrates between the consolidated entity and the intermediate holding company China Minmetals Non-Ferrous Metals Company Limited and its subsidiaries.

(e) Bank Facilities

The consolidated entity has bank facilities with China Development Bank (CDB), Bank of China (Singapore Branch) and Bank of China (Sydney Branch). CDB and Bank of China are both subsidiaries of state-owned enterprises directly or indirectly controlled by the PRC Government and are therefore related parties of the ultimate holding company China Minmetals Corporation. Please refer to Note 20 for details on the consolidated entity's bank facilities.

30 Directors' and senior management emoluments

(a) Directors' Emoluments

The remuneration of every director is set out below:

Name of Director	Fees	Salaries	Other benefits (vi)	Discretionary bonuses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For the period ended 31 December 2010					
ZHOU Zhongshu (i)	-	-	-	-	-
CASSIDY Peter (i)	234.7	-	13.3	-	248.0
WANG Lixin (i)	126.4	-	5.7	-	132.1
MICHELMORE Andrew (ii)	-	1,849.3	818.1	1,422.1	4,089.5
XU Jiqing (i)	126.4	-	5.7	-	132.1
JIAN Jiao (i)	118.5	-	5.3	-	123.8
LI Fuli (iii)	59.0	-	5.3	-	64.3
LIU Mark (iv)	33.7	385.8	1,003.8	-	1,423.3
GEOK Patricia Neo Seet (ii)	-	-	-	-	-
	698.7	2,235.1	1,857.2	1,422.1	6,213.1

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Directors' and senior management emoluments (continued)

Name of Director	Fees	Salaries	Other benefits (vi)	Discretionary bonuses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
For the period ended 31 December 2009					
ZHOU Zhongshu (i)	-	-	-	-	-
CASSIDY Peter (i)	81.7	-	-	-	81.7
WANG Lixin (i)	-	-	-	-	-
MICHELMORE Andrew (ii)	-	954.8	1,134.0	469.0	2,557.8
XU Jiqing (i)	-	-	-	-	-
JIAN Jiao (i)	-	-	-	-	-
LI Fuli (iii)	-	-	-	-	-
LIU Mark (iv)	-	280.0	10.1	109.8	399.9
TIONG Eric Hin Won (v)	-	-	-	-	-
GEOK Patricia Neo Seet (ii)	-	-	-	-	-
	81.7	1,234.8	1,144.1	578.8	3,039.4

(i) Appointed as director on 9 April 2009.

(ii) Appointed as director on 1 December 2009.

(iii) Appointed as director on 18 March 2010.

(iv) Appointed as director on 1 December 2009 and resigned on 30 August 2010.

(v) Appointed as director on 9 April 2009 and resigned on 1 December 2009.

(vi) Other benefits include long service leave and other allowances.

Refer to Note 29 (c)(ii) for further details regarding the calculation of emoluments.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

Directors' and senior management emoluments (continued)

(b) Directors' five highest-paid individuals

The five individuals whose emoluments were the highest in the consolidated entity for the Relevant Period include two directors, for the period ending 31 December 2010. The emoluments payable to the remaining three individuals for the period ending 31 December 2010 are as follows:

	31 December 2010 US\$m	31 December 2009 US\$m
Basic salaries and other benefits	5,684.3	2,631.5
LTI	1,135.9	1,582.7
Bonuses	2,728.9	954.9
	<u>9,549.1</u>	<u>5,169.1</u>

The emoluments fell within the following bands:

	Number of individuals	
	31 December 2010	31 December 2009
US\$400,001-US\$500,000	-	2
US\$700,001-US\$800,000	-	1
US\$900,001-US\$1,000,000	-	1
US\$1,000,001-US\$1,100,000	1	-
US\$1,200,001-US\$1,300,000	1	-
US\$1,400,001-US\$1,500,000	1	-
US\$1,600,001-US\$1,700,000	1	-
US\$2,500,001-US\$2,600,000	-	1
US\$4,000,001-US\$4,100,000	1	-
	<u>5</u>	<u>5</u>

During the year, no director waived any emoluments and no emoluments were paid or payable by the Group to the directors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Employees and Remuneration Policy

As at 31 December 2010 MMG employed 3,264 direct employees and 2,411 external contractors across all operations.

MMG remuneration philosophy is to provide appropriately competitive remuneration to attract and retain high quality executive talent to achieve its business objectives. MMG remuneration policy is reviewed periodically and has been developed to enhance the alignment of business strategy with shareholder value creation over the short, medium, and long term.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

31 Remuneration of auditors

Audit services

	Consolidated		Company	
	31 Dec 2010 US\$'000	31 Dec 2009 US\$'000	31 Dec 2010 US\$'000	31 Dec 2009 US\$'000
Audit and review of financial reports and other audit work including audit of subsidiary financial statements:				
PwC Australia	690	649	-	-
Overseas PwC firms	95	185	-	-
	785	834	-	-
Assurance services				
Other assurance services	14	-	-	-
	14	-	-	-
Taxation services				
Taxation compliance and advisory services	442	40	-	-
	442	40	-	-
Advisory services				
Other advisory services	92	40	-	-
	92	40	-	-
Total services	1,333	914	-	-

32 Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418, all of the subsidiaries listed below (other than Album Investment which will not be relying on the Class Order) are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' report in Australia. It is a condition of the Class Order that the Company and each of its subsidiaries seeking to rely on the Class Order or in a closed group enter into a Deed of Cross Guarantee ('the Deed'). The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of these subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001*, the Company will only be liable in the event that after six months any creditor has not been paid in full. These subsidiaries have also given similar guarantees in the event that the Company is wound up. Album Resources Private Limited and the following subsidiaries became party to the Deed on 22 December 2009:

- Album Investment Private Limited
- Allegiance Exploration Pty Ltd
- Allegiance Metals Pty Ltd
- Allegiance Mining Pty Ltd
- Allegiance Mining Operations Pty Ltd
- Allegiance Mining Processing Pty Ltd
- Eastren Pty Ltd
- Geothermal Energy Tasmania Holdings Pty Ltd
- Geothermal Energy Tasmania Pty Ltd
- Geothermal Energy Tasmania Exploration Pty Ltd
- Geothermal Energy Tasmania West Coast Pty Ltd
- Investment Co Pty Ltd
- Ionex Pty Ltd
- Chalcocite Pty Ltd (formerly MMG Projects Pty Ltd)
- MMG Australia Limited
- MMG Century Limited
- MMG Exploration Pty Ltd
- MMG Golden Grove Pty Ltd
- MMG International Enterprises Pty Ltd
- MMG Management Pty Ltd
- MMG Super Metals Pty Ltd
- PCML SPC Pty Ltd
- PPTV Pty Ltd
- SPC 1 Pty Ltd
- SPC 2 Pty Ltd
- SPC (Nominees) Pty Ltd

A further subsidiary acquired by Album Resources Private Limited in 2010, Wiluna Exploration Pty Ltd, also became party to the Deed with effect from 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

31 December 2010 US\$m 31 December 2009 US\$m

Deed of Cross Guarantee (continued)

A consolidated income statement, consolidated statement of comprehensive income and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed is set out below:

(a) Consolidated income statement

Revenue	1,323.2	572.9
Cost of goods sold	(744.5)	(392.8)
Gross profit	578.7	180.1
Selling expenses	(67.3)	(39.7)
Administrative expenses	(55.0)	(23.2)
Exploration expenses	(50.9)	(10.1)
Other expenses	(74.6)	(50.6)
Other income	8.6	0.6
Net foreign exchange gain/ (losses)	(15.8)	3.7
Results from operating activities	323.7	60.8
Financing income	7.5	3.1
Financing expenses	(32.7)	(20.8)
Net finance costs	(25.2)	(17.7)
Profit/(loss) before income tax and dividends received	298.5	43.1
Dividends received from subsidiaries outside the controlled group	295.0	18.0
Income tax (expense)/benefit	(27.9)	53.6
Profit/(loss) for the period	565.6	114.7

(b) Consolidated statement of comprehensive income

Profit/(loss) for the period	565.6	114.7
Other comprehensive income:		
Net change in fair value of available-for-sale financial assets, net of tax	43.3	0.2
Other comprehensive income for the period	608.9	114.9
Total comprehensive income/(expense) for the period	608.9	114.9

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries	31 December 2010 US\$m	31 December 2009 US\$m
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Deed of Cross Guarantee (continued)

(c) Summary of movements in consolidated retained earnings

Retained earnings at the beginning of the period	114.7	-
Profit/ (loss) for the year	565.6	114.7
Dividends paid	(340.0)	-
Retained earnings at the end of the period	340.3	114.7

(d) Balance sheet

Current assets		
Cash and cash equivalents	102.0	164.3
Trade and other receivables	93.4	63.9
Inventories	202.1	137.4
Financial and other assets	373.8	85.1
Total current assets	771.3	450.7
Non-current assets		
Property, plant and equipment	1,034.5	1,052.5
Inventories	-	-
Deferred tax assets	83.1	62.2
Investment in subsidiaries	316.1	293.9
Financial and other assets	0.6	-
Total non-current assets	1,434.3	1,408.6
Total assets	2,205.6	1,859.3
Current liabilities		
Trade and other payables	114.3	120.3
Interest-bearing liabilities	18.6	1.1
Current tax payables	33.9	(0.6)
Provisions	42.8	30.5
Total current liabilities	209.6	151.3
Non-current liabilities		
Interest-bearing liabilities	1,053.2	1,100.8
Deferred tax liabilities	9.0	-
Provisions	213.0	155.3
Total non-current liabilities	1,275.2	1,256.1
Total liabilities	1,484.8	1,407.4
Net assets	720.8	451.9
Equity		
Issued capital	337.0	337.0
Reserves	43.5	0.2
Retained earnings	340.3	114.7
Total equity	720.8	451.9

NOTES TO THE FINANCIAL STATEMENTS

Album Resources Private Limited and its subsidiaries

31 December
2010 US\$m

31 December
2009 US\$m

33 Profit/ (Loss) attributable to equity holders of the Company

The profit/ (loss) attributable to equity holders of the Company as dealt with in the financial statements of the Company are as follows:

Profit/ (Loss) attributable to equity holders	340.8	(0.4)
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34 Non-cash investing and financing activities

	Consolidated		Company	
	31 December 2010 US\$m	31 December 2009 US\$m	31 December 2010 US\$m	31 December 2009 US\$m
Acquisition of plant and equipment by means of finance leases	-	-	-	-

35 Events occurring after reporting date

There have been no other events that have occurred subsequent to the reporting date which have significantly affected or may significantly affect the consolidated entity's operations, results or state of affairs in future years.

DIRECTORS' DECLARATION

In the opinion of the directors of Album Resources Private Limited ('the Company'):

- (a) the statement of financial position and the consolidated financial statements of the Company and its subsidiaries ('consolidated entity') as set out on pages 11 to 68 are drawn up so as to give a true and fair view of the state of affairs of the consolidated entity as at 31 December 2010 and of the results of the business, changes in equity and cash flows, for the period ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.

On behalf of the board of directors of the Company.



Andrew Gordon Micheltmore
Director
6 April 2011



Xu Jiqing
Director
6 April 2011

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALBUM RESOURCES PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Album Resources Private Limited (the "Company") and its subsidiaries (the "Group") set out on pages 11 to 68, which comprise the balance sheets of the Company and of the Group as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

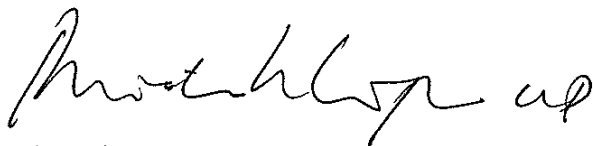
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

Report on other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants
Singapore, 6 April 2011