



FINANCIAL REPORT 2009

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 from 8 April 2009 to 31 December 2009 (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") up to the date of this report are:

- Mr Jiao Jian (appointed on 9 April 2009);
- Mr Andrew Gordon Michelmore (appointed on 1 December 2009);
- Mr Wang Lixin (appointed on 9 April 2009);
- Mr Xu Jiqing (appointed on 9 April 2009);
- Mr Mark Liu (appointed on 1 December 2009);
- Mr Eric Tiong Hin Won (appointed on 8 April 2009 and resigned on 1 December 2009); and
- Ms Patricia Geok Neo Seet (appointed on 1 December 2009).

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.

Consolidated results	2009 US\$m
Consolidated entity profit attributable to equity holders of Album Resources Private Limited	172.5

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

Dividends

There were no dividends paid or declared during the period.

Significant changes in the state of affairs

The Company was incorporated by China Minmetals Non-Ferrous Metals Co., Ltd ('CMN') on 8 April 2009 to hold, through Album Investment Private Limited ("Album Investment"), a portfolio of mining assets and companies acquired from OZ Minerals Limited. Such portfolio is together known as the Minerals and Metals Group or 'MMG', as outlined below. As the Company was incorporated on 8 April 2009, there is no comparative information in the financial report and all information presented in the financial report is for the period from 8 April 2009 to 31 December 2009.

On 16 June 2009, Album Investment acquired shares in certain companies from OZ Minerals Limited which own the mining operations of the Century, Golden Grove, Rosebery and Sepon mines along with the Avebury mine, which had been placed under care and maintenance by OZ Minerals Limited in December 2008, together with certain other exploration and development assets. Information relating to the acquisition is set out in Note 4 to the financial statements.

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

Following the acquisition by Album Investment of the portfolio of mining assets and companies from OZ Minerals on 16 June 2009, MMG has been established as the world's second largest producer of zinc, as well as a substantial producer of copper, lead, gold and silver.

Since then, MMG has set an aspirational vision – to build the next generation's leading global minerals and metals company. Its mission is to maximize returns by discovering, acquiring, developing and sustainably operating resource projects around the world. MMG aims to do this while demonstrating its values of respect, integrity, action and results.

Since the formation of MMG, the London Metals Exchange ('LME') prices for the minerals and metals it produces have strengthened as the global economy has recovered following the 2008-09 financial crisis that saw base metal prices slump dramatically. Zinc, copper and lead prices were strong in 2009, closing the year at, or close to, their cash highs for the year at US\$2,570, US\$7,346 and US\$3,395 per tonne respectively.

Implementing operational cost efficiencies identified earlier in the year allowed MMG to maximise the benefit of rising metal prices and achieve consolidated revenue of \$852.8 million and generating a net profit attributable to equity holders of the parent of \$172.5 million.

DIRECTORS' REPORT

The consolidated entity achieved excellent copper production for the period producing a total of 38,077 tonnes of copper cathode and 18,299 tonnes of copper metal in concentrate. Copper cathode production was up following commissioning of the second autoclave in the Sepon copper plant in March 2009, increased copper production at Golden Grove (in accordance with the copper-focused mine plan) and good continued production at Rosebery.

Zinc production was impacted by the failure at the Century pipeline on 5 October 2009 and the subsequent concentrate production shutdown. Following repairs and the installation of a bypass, the pipeline was recommissioned and production resumed on 23 December 2009. While zinc production was impacted, the volume of concentrate stored at the Karumba port facility when the incident occurred allowed the mine to continue loading export vessels until early November 2009.

Gold production was strong for the period with 94,982 ounces of contained metal produced while silver and lead associated with zinc ore were down, mainly due to the Century incident and the copper-focused mine plan at Golden Grove.

The Avebury nickel mine remained on care and maintenance throughout the period.

MMG was pleased to recommence a number of previously suspended projects, aimed at generating internal growth from its current asset portfolio. Projects announced include:

- \$60.4 million Sepon copper expansion project, to increase nameplate capacity from 65,000 to 80,500 tonnes per annum;
- \$3.7 million for design and construction of a flotation desliming circuit at Sepon, to improve pyrite recovery;
- \$24.0 million for design and construction of the second powerline into the Sepon operations to mitigate power supply failure;
- \$5.5 million, for a 19 month exploration program at Century on the existing mine and adjacent tenements to identify new zinc deposits for the processing operations;
- \$23.0 million program at Rosebery to raise, bore, drill and construct an additional ventilation shaft to support access to the deeper reaches of the underground mine;
- \$1.4 million deep exploration drilling program at Rosebery to target prospective areas below the lower parts of the ore body;
- Recommencement of near mine exploration around the Golden Grove Gossan Hill mine; and
- Recommencement of exploration of the oxide gold and copper potential surrounding the Sepon mining operations.

In 2009 MMG became a member of the Minerals Council of Australia and the International Council on Mining and Metals demonstrating its commitment to the sustainability frameworks of both organisations.

Review of results

Operations

MMG's operations benefited from the results of cost reduction initiatives implemented at all sites in late 2008 together with improving LME prices for zinc, copper and lead to achieve revenue of \$852.8 million in 2009.

Century concentrate production

From June to December 2009 the Century operations produced 176,556 tonnes of contained zinc in concentrate, 557,870 ounces of contained silver in concentrate and 7,347 tonnes of contained lead in concentrate, impacted by the failure of the pipeline referred to above. This produced revenue of \$247.5 million and a loss before income tax of \$20.6 million.

Golden Grove concentrate production

From June to December 2009 the Golden Grove operations produced 36,375 tonnes of contained zinc in concentrate, 16,658 tonnes of contained copper in concentrate, 2,662 tonnes of contained lead in concentrate, 16,601 ounces of contained gold and 818,050 ounces of contained silver. This produced revenue of \$166.0 million and a profit before income tax of \$45.0 million.

Rosebery concentrate production

From June to December 2009 the Rosebery operations produced 53,692 tonnes of contained zinc in concentrate, 1,641 tonnes of contained copper in concentrate, 16,978 ounces of contained gold, 1,614,224 ounces of contained silver and 15,695 tonnes of contained lead. This produced revenue of \$151.5 million and a profit before income tax of \$57.9 million.

Sepon

From June to December 2009 the Sepon operations produced 38,077 tonnes of copper cathode, 61,403 ounces of gold and 20,458 ounces of silver. This produced revenue of \$287.8 million and a profit before income tax of \$136.7 million.

DIRECTORS' REPORT

Development projects

Dugald River

Geological interpretations of drilling results continue at Dugald River and a review of the draft Environmental Impact Statement is underway. A 2008 feasibility study confirmed the potential for a 200,000 tonne per annum zinc in concentrate project.

Izok Lake

The key challenge to successfully developing the Izok Lake deposit in the Nunavut Territories in Canada is moving concentrates to market from this remote area. A fresh approach was taken to solving infrastructure issues. The resulting scoping study was completed in December 2009 and produced a material improvement in financial return. A pre-feasibility study is now scheduled for 2010.

Sepon Copper Expansion

In October 2009 the Board approved the recommencement of the Sepon copper expansion project, a \$60.4 million project to expand production capacity from 60,000 to 80,500 tonnes of copper cathode a year. Documentation deliverables and purchase orders are now complete and the team will be mobilised to the site during January and February 2010.

Exploration – Near Mine

Century

The exploration drilling program at Century, referred to above, commenced in October and scout drilling continued on a number of targets on the mine lease and in adjacent tenements.

Golden Grove

Surface diamond drilling is underway targeting the area south of the Xantho ore body at Gossan Hill. Development to establish an underground drilling platform to target the area south of the Amity ore body has also commenced.

Rosebery

Two deep surface diamond drill holes have commenced to target prospective areas below the lower parts of the ore body. Drilling also commenced on the Jupiter prospect on the Rosebery mining lease – aiming to intersect the Jupiter horizon approximately 200 metres vertically below existing mineralized intercepts.

Sepon

For copper, near mine work continued at the highly prospective Thengkhram region with resource definition drilling at Thengkhram South and North. Copper exploration drilling was also undertaken at Padan Hill on a conceptual copper-molybdenum target.

For gold, several near mine oxide gold targets have been identified, the most significant of these at Hanong where an oxide gold zone exists. Exploration drilling continued successfully on targets at Phavat, Thengkhram Southwest, Khanong, Houay Pong and Phabing.

Exploration – Greenfield

MMG continued work on its portfolio of exploration projects, actively investigating base metal opportunities in Australia, Asia and North America.

Corporate structure and governance

Album Investment, a wholly-owned subsidiary of the Company is the holding company of MMG which was established as a portfolio of mining assets and companies which CMN acquired from OZ Minerals Limited on 16 June 2009, as set out above.

MMG's mission is to maximise shareholder returns by discovering, acquiring, developing and sustainably operating resources projects around 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. MMG will actively review its policies and practices to ensure that MMG continues to maintain and improve its governance standards, taking into consideration the views of its shareholder, regulators and other stakeholders.

(a) Corporate governance framework

Having regard to the Foreign Investment Review Board undertakings made by CMN as part of the acquisition, MMG considers it is in the best interests of the consolidated entity for its Australian subsidiary, MMG Management Pty Ltd to manage MMG, including developing the direction, strategies and overseeing MMG's overall financial position. As noted above, the Company is the holding company of Album Investment which is the direct holding entity of MMG including MMG Management Pty Ltd ('MMG Management'). The board of directors of certain subsidiaries of Album Investment has resolved that, subject to their duties as directors, the board and each director of that subsidiary will comply with all lawful directions given by MMG Management.

DIRECTORS' REPORT

The board of directors of MMG Management (the 'Board') currently comprises of:

- Mr Zhou Zhongshu (President of China Minmetals Corporation and appointed as Chairman and Non-Executive Director on 11 June 2009);
- Mr Andrew Gordon Michelmore (appointed as Chief Executive Officer and Managing Director on 11 June 2009);
- Mr Peter Cassidy (appointed as Independent Non-Executive Director on 11 June 2009);
- Mr Jiao Jian (appointed as Non-Executive Director on 11 June 2009);
- Mr Wang Lixin (appointed as Non-Executive Director on 11 June 2009);
- Mr Xu Jiqing (appointed as Non-Executive Director on 11 June 2009); and
- Mr Mark Liu (appointed as Executive Director on 11 June 2009).

(b) Executive Committee

In accordance with the Board Charter and Constitution of MMG Management, the Board delegates responsibilities to allow the CEO and the executive management team to carry on the day-to-day operation and administration of MMG. An Executive Committee has been established in this regard to provide information and report regularly to the Board. The members of the Executive Committee are:

- Andrew Gordon Michelmore (Managing Director and Chief Executive Officer);
- David Lamont (Chief Financial Officer);
- Mark Liu (Executive Director);
- Brett Fletcher (Chief Operating Officer);
- Steve Ryan (Executive General Manager – Exploration);
- Tim Scully (Executive General Manager – Business Support); and
- Michael Nossal (Executive General Manager – Business Development).

(c) Board Committees

To facilitate the execution of its responsibilities, the Board has established various Committees to provide a forum for a more detailed analysis of key issues. 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 Board meeting. The current Committees of the Board are the Audit Committee, the Safety Health Environment and Community ('SHEC') Committee, and the Remuneration and Nomination Committee.

(d) Values

MMG has also developed and established a set of values 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

MMG is owned by CMN, a division of China Minmetals Corporation, one of the largest state-owned enterprises in the People's Republic of China. The Board aims to ensure that its shareholder, China Minmetals Corporation is provided with all information necessary to assess the performance of MMG and use its best endeavours to assist China Minmetals Corporation to meet its own reporting requirements in compliance with relevant laws and regulations.

To achieve this, the Chinese Directors (including Mr Zhou Zhongshu, President of China Minmetals Corporation) have been appointed to the Board and they regularly receive reports on key developments and material business issues. The Chinese Directors are invited to attend all Board meetings and use the opportunity to ask questions. MMG provides Board papers explaining each item of proposed Board resolutions to be adopted at Board meetings to all Directors in notices of meetings. Any questions on the Board papers can be raised with the members of the Executive Committee prior to the Board meetings. The Chinese Directors also receive the Monthly Report which covers all material operational issues and financial performances of MMG reported to the CEO from various subsidiary companies within MMG during the preceding month.

In addition to the above, MMG makes every endeavour to respond to any questions that its shareholder raises in a timely manner and provides all information and reports requested by its shareholder. Its shareholder also has access to its internal and external auditors who are available to attend meetings to answer questions in relation to the conduct of the audit.

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' REPORT

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 body corporate.

(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. In addition to the permitting arrangements which apply to its operations outside Australia, the consolidated entity's Australian operating sites hold environmental licences and permits under laws of the Commonwealth and States of Australia.

Compliance with all laws and regulations is fundamental to how the consolidated entity seeks to operate. 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. 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 incidents require a formal report identifying the factors that contributed to the incident or non-compliance and the actions that are being taken to prevent a recurrence.

Twenty four reportable environmental incidents occurred in 2009 and included:

- Release of zinc concentrate slurry to the environment from the pipeline which conveys concentrate from the Century Mine to the Karumba Port Facility;
- Emissions of sulphur dioxide within the Karumba Port Facility and immediately adjacent to the Facility;
- Non-compliance with specified water discharge limits at the Golden Grove and Rosebery Mines, at the Darimah Village sewerage treatment plant at the Century Mine, and at the Pelicans Inn sewerage treatment plant at Karumba;
- Spillage of minor volumes of product concentrate to the Norman River at the Karumba Port Facility;
- Loss of tailings effluent from primary containment at the Golden Grove and Rosebery Mines; and
- Transfer of acidic mine water at the Sepon Mine resulting in fish kills within the on-site water management system.

These incidents were reported to the relevant authorities and actions were implemented to address each of these events.

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

- Completion of initial works to correct and prevent the uncontrolled discharge of contaminated mine water at the Century Mine;
- Improvements to housekeeping at the Karumba Port Facility to minimise the release of mineral concentrate dust;
- Completion of upgrade of the water treatment system at Golden Grove Mine to address exceedances of mine water discharge limits, mainly relating to cadmium; and
- Initial improvements to the effluent treatment plant at the Rosebery Mine ahead of a more substantial work program to address uncontrolled discharges of tailings effluent from the facility.

DIRECTORS' REPORT

The consolidated entity is currently working with 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 requirements or practices, specifically:

- Actions continued to address two Environmental Protection Orders in respect of activities at the Karumba Port Facility, the first from June 2007 and the second issued in March 2008 by the Queensland Department of Environment and Resource Management. These Orders define the requirement to implement improved controls for dust generation at the Port Facility and implement programs to better monitor dust emissions at Karumba, including the potential impact on metal levels in rainwater tanks;
- An application for a new development approval was submitted in September 2009 to correct the invalidity of environmental approvals in respect of activities carried out at the Karumba Port Facility. As at the end of the reporting period the application was being assessed by the Queensland Department of Environment and Resource Management; and

Actions were implemented at the Century Mine to address the requirements of a Notice to conduct an environmental review of the site water management system, including the evaluation issued in March 2009 by the Queensland Department of Environment and Resource Management. This Evaluation requires identification of improvements to prevent or mitigate the impact of water discharges from the mine.

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 of 31 December 2009 is 1,945 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 Australian 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 164 Indigenous people (directly or as contractors), representing more than 21 per cent of its overall work force.

In recognition of the commitments given to the Australian Government to increase its indigenous employment, MMG is currently developing an Indigenous Employment Strategy which is taking a company-wide approach to facilitating and increasing the number of indigenous employees within our businesses. This policy will be endorsed by the Executive Committee for roll out in 2010.

Community relationships

Through its stakeholder relations activities, MMG aims to continually engage our stakeholders, of which communities are a key component. MMG aims to engage local community representatives and actively promote the contribution MMG makes to the places where it operates. It also aims to be open and honest, and as cooperative as possible when issues and concerns do arise.

As part of MMG's internal reporting processes, all significant community incidents and community grievances are reported and reviewed by the Board and the SHEC Committee.

Three significant incidents were reported in 2009. These all occurred in Rosebery and were of a civil disobedience nature towards the site (graffiti, vandalism and infrastructure stripping etc). For the same period there were 31 stakeholder grievances recorded including eighteen at LXML Sepon, five at Rosebery, two at Century and six in Exploration.

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

During 2009 MMG contributed \$1,714,122 to local and regional communities. This included \$635,567 in community development initiatives, \$39,336 for local business development, \$550,546 for education and training initiatives and \$488,672 in sponsorships and donations.

There is a risk that past, present or future operations may trigger community and/or stakeholder outrage and that this in turn could adversely affect the broader reputation of MMG and, in some circumstances, even impact on ongoing operations and/or result in increased regulatory oversight and compliance costs, or incur fines or penalties.

During the reporting period, an ongoing community issue relating to allegations of heavy metal contamination in the Rosebery Township significantly escalated.

In late December 2009 a number of Rosebery residents were diagnosed by a local occupational physician (Dr Andreas Ernst), as having a matrix of symptoms which lead to him concluding they were suffering from heavy metal poisoning.

DIRECTORS' REPORT

In addition Slater & Gordon have been quoted widely in press as acting for a number of (undisclosed) Rosebery residents and MMG Rosebery has exchanged correspondence with the law firm regarding a number of requests made around the sampling program. From presentations they have made it appears that they may target the Tasmanian Government, MMG and the local council.

DHHS and the EPA have announced that they will be re-opening their investigations in light of Dr Ernst's diagnoses and MMG is working closely with the relevant Department officials. MMG expects this issue to only grow in scope and interest as each interested party develops their action plan. As such, Stakeholder Relations is coordinating a MMG response strategy.

Also during the reporting period a failure in the Century pipeline resulted in a discharge of approximately 300 tonnes of zinc slurry at the approximately 115 kilometre point on the adjacent pastoral holding.

The owners were immediately contacted and were consulted with throughout the clean up and pipeline restart project. Indigenous, local, state and federal government, industry and community stakeholders were also engaged. As part of the ongoing stakeholder management activities around this issue, a debriefing process between all stakeholders is planned for early 2010.

In October 2009 complaints were received from local residents regarding sulphur dioxide emissions outside Century's Karumba Port operations and concerns raised about the health impacts of the emissions.

A comprehensive community monitoring program was put in place and a communications program undertaken to keep residents informed about the issue and the monitoring of sulphur dioxide emissions occurring outside of the facility.

As a result of this situation, a community emissions monitoring procedure and communications protocol have been developed to ensure that residents are kept informed about issues relating to health and safety at the mine. The protocol has been enacted on a number of occasions since the October event.

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, Album Enterprises Limited, the immediate holding entity of the Company, has entered into Deeds of Indemnity with each of its current Directors, each employee who is a Director or Company Secretary of a subsidiary of the consolidated entity, all members of the Executive Committee and certain other officers in addition to the indemnity provided under Article 147 of Album Enterprises Limited's Articles of Association.

Article 147 of Album Enterprises Limited's (the Company's immediate holding company) Articles of Association provides that every Director, Managing Director, Agent, Auditor, Secretary and other officer for the time being of Album Enterprises Limited shall be indemnified out of the assets of the company against any liability incurred by him in relation to the company or a related company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 358 of the Hong Kong Company Ordinance in which relief is granted to him by the court.

Album Enterprises Limited was not liable during the reporting period under any such indemnities to its Directors, Officers or employees.

MMG has a policy that it will, as a general rule, support and hold harmless an employee who, while acting in good faith, incurs personal liability to others as a result of working for the consolidated entity.

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

Album Enterprises Limited 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 2009 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.

DIRECTORS' REPORT

Independent auditor

PricewaterhouseCoopers LLP were appointed as the consolidated entity's independent auditor on 9 July 2009. A copy of the independent auditor's report is set out on page 56. 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 28 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
18 March 2009

Jiao Jian
Director
18 March 2009

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period from 8 April 2009 to 31 December 2009	Notes	Consolidated 2009 US\$m	Company 2009 US\$m
Revenue	5	852.8	–
Other income	6	0.7	–
Net foreign exchange gain		1.6	–
Cost of goods sold	7	(349.9)	–
Depreciation and amortisation expenses		(158.3)	–
Freight expenses		(55.1)	–
Other expenses	7	(99.9)	–
Profit before net financing (expenses) and income tax		191.9	–
Financing income	8	1.1	10.4
Financing expenses	8	(23.2)	(10.8)
Net financing (expenses)	8	(22.1)	(0.4)
Profit/(loss) before income tax		169.8	(0.4)
Income tax benefit	10	10.9	–
Profit/(loss) for the period		180.7	(0.4)
Attributable to:			
Equity holders of the parent		172.5	(0.4)
Non-controlling interest	21	8.2	–
Profit/(loss) for the period		180.7	(0.4)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period from 8 April 2009 to 31 December 2009	Notes	Consolidated 2009 US\$m	Company 2009 US\$m
Profit/(loss) for the period		180.7	(0.4)
Other comprehensive income:			
Net change in fair value of available-for-sale financial assets, net of tax	21	0.2	–
Other comprehensive income for the period		0.2	–
Total comprehensive income/(expense) for the period		180.9	(0.4)
Attributable to:			
Equity holders of the parent		172.7	(0.4)
Non-controlling interest		8.2	–
Total comprehensive income/(expense) for the period		180.9	(0.4)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period from 8 April 2009 to 31 December 2009	Issued capital US\$m	Available-for-sale reserve US\$m	Retained earnings US\$m	Sub-total US\$m	Non-controlling interest US\$m	Total US\$m
Consolidated						
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
Company						
Balance as at 8 April 2009	–	–	–	–	–	–
Total comprehensive (expense) for the period	–	–	(0.4)	(0.4)	–	(0.4)
Transactions with owners, recorded directly in equity:						
Contributions of equity	337.0	–	–	337.0	–	337.0
Total transactions with owners	337.0	–	–	337.0	–	337.0
Balance as at 31 December 2009	337.0	–	(0.4)	336.6	–	336.6

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries as at 31 December 2009	Notes	Consolidated 2009 US\$m	Company 2009 US\$m
Current assets			
Cash and cash equivalents	12	251.3	–
Trade and other receivables	13	90.0	–
Inventories	14	177.5	–
Financial and other assets	15	22.3	2.1
Total current assets		541.1	2.1
Non-current assets			
Trade and other receivables	13	–	710.5
Property, plant and equipment	16	1,493.7	–
Inventories	14	23.5	–
Deferred tax assets	10	65.5	–
Financial and other assets	15	–	337.0
Total non-current assets		1,582.7	1,047.5
Total assets		2,123.8	1,049.6
Current liabilities			
Trade and other payables	17	143.7	3.0
Interest-bearing liabilities	18	1.1	–
Current tax payable	10	59.6	–
Provisions	19	35.5	–
Total current liabilities		239.9	3.0
Non-current liabilities			
Interest-bearing liabilities	18	1,100.8	710.0
Provisions	19	231.4	–
Total non-current liabilities		1,332.2	710.0
Total liabilities		1,572.1	713.0
Net assets		551.7	336.6
Equity			
Issued capital	20	337.0	337.0
Reserves	21	0.2	–
Retained earnings	21	172.5	(0.4)
Total equity attributable to equity holders of the parent company		509.7	336.6
Non-controlling interest	21	42.0	–
Total equity	22	551.7	336.6

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period from 8 April 2009 to 31 December 2009	Notes	Consolidated 2009 US\$m	Company 2009 US\$m
Cash flows from operating activities			
Receipts from customers		786.9	-
Payments to suppliers and employees		(431.2)	-
Income taxes paid		(48.6)	-
Financing costs and interest paid		(15.2)	(9.9)
Interest received		1.1	10.4
Net cash inflows from operating activities	23	293.0	0.5
Cash flows from investing activities			
Payments for property, plant and equipment		(138.7)	-
Acquisition of subsidiary, net of cash acquired	4	(648.7)	(337.0)
Loans advanced to subsidiaries		-	(710.5)
Proceeds from disposal of investments		2.0	-
Net cash (outflows) from investing activities		(785.4)	(1,047.5)
Cash flows from financing activities			
Proceeds from borrowings		1,122.8	710.0
Repayments of borrowings		(722.2)	-
Proceeds from issue of shares		337.0	337.0
Dividends paid to minority shareholder		(2.0)	-
Repayments of finance lease liabilities		(2.6)	-
Net cash inflows from financing activities		733.0	1,047.0
Net increase in cash held			
Cash and cash equivalents at the beginning of the period		-	-
Effects of exchange rate changes on foreign currency denominated cash balances		10.7	-
Cash and cash equivalents at the end of the period	12	251.3	-

Financing arrangements – refer Note 24

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

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 period from 8 April 2009 to 31 December 2009 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 18 March 2009. The Directors have the power to amend and reissue the financial report.

(c) Comparatives

The Company was incorporated on 8 April 2009 and as such, there is no comparative information in this financial report. All information presented in the financial report is for the period from 8 April 2009 to 31 December 2009.

(d) Basis of preparation of financial information

(i) Historical costs

These financial statements have been prepared on a going concern basis 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) 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 3 *Business Combinations* and FRS 127 *Consolidated and Separate Financial Statements* (effective 1 July 2009).
The Revised FRS 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the consolidated entity's current policy which is set out in Note 1(aa) below.
The Revised FRS 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Under the consolidated entity's current accounting policy, the retained interest in the carrying amount of the former subsidiary's assets and liabilities becomes the cost of investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently revalued to fair value; however, any revaluation gain or loss is recognised in the available-for-sale asset reserve.
- IFRIC 17 *Distribution of Non-Cash Assets to Owners* (effective 1 July 2009) applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. This is different to the consolidated entity's current policy which is to measure distributions of non-cash assets at their carrying amounts. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value.
- FRS 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2013) addresses the classification and measurement of financial assets and is likely to affect the consolidated entity's accounting for its financial assets. The Group is yet to determine the impact of FRS 9 will have on the groups accounting for financial instruments.
- IFRIC 19 *Extinguishing financial liabilities with equity instruments* (effective 1 July 2010) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

- FRS 27 *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 January 2009) requires all dividends received from investments in subsidiaries, jointly controlled entities or associates to be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the consolidated entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations and the new parent accounts for its investment in the original parent at cost, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

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 and the Company. The consolidated entity will adopt these standards during the applicable mandatory annual reporting periods.

(iii) *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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. 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 movements in reserves is recognised in reserves in the balance sheet.

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 the impairment of an asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

(iii) Transactions with non-controlling interests

The consolidated entity applies a policy of treating transactions with non-controlling interests as transactions with parties external to the consolidated entity. Disposals to non-controlling interests result in gains and losses for the consolidated entity that are recognised in profit or loss. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the consolidated entity's incremental share of the carrying value of identifiable net assets of the subsidiary.

(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).

(ii) Available-for-sale financial assets

The consolidated entity's investment in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised as a separate component of equity, net of related income tax. Impairment losses are recognised in the income statement. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. Fair value is determined by reference to the quoted price at the reporting date. Available-for-sale financial assets are presented as non-current assets unless management intends to dispose of the assets within twelve months after the reporting date.

Recognition and derecognition

Regular purchases and sales of investments and other financial assets are recognised on trade-date being the date on which the consolidated entity commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. 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. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the reserve relating to that asset is transferred to profit and loss as gains or losses from financial assets.

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 are recognised in the income statement and other changes are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity. Interest and dividend income on available-for-sale financial assets are recognised separately in other 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

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

(g) Foreign exchange

(i) 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.

(ii) 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 assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Translation differences on non-monetary assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale asset reserve in equity.

(iii) 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 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);
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve; and
- on consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold a proportionate share of such exchange differences is recognised in 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 entity 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 national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

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 substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Albion Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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.

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.

Income taxes have not been provided on undistributed overseas earnings of subsidiaries to the extent the earnings are intended to remain indefinitely invested in those entities.

Tax consolidation - Australia

The Australian subsidiaries of Albion 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 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 financing expense. The financing expense 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. Initial direct costs incurred by the consolidated entity in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense. The property, plant and equipment acquired under a finance lease are depreciated over the shorter of the asset's useful life and 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 account. Initial direct costs incurred by the consolidated entity in negotiating and arranging operating leases are recognised in the profit or loss when incurred.

(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 and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

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.

(ii) *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.

Amortisation of costs is included in depreciation of property, plant and equipment.

(iii) *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 profit or loss within other income.

(iv) *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(l)).

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(l) 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

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

Non-financial assets and liabilities

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 and investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

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.

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 write-down 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 write-down 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. 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 objective evidence in determining whether the security is 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 removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(m) Employee benefits

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

(ii) 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.

(iii) 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.

(iv) 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.

Significant 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 more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

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

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

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 risks and rewards to the customer, no further processing is required by the consolidated entity, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable. This is generally when title passes which 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 revenue adjustment mechanism embedded within provisionally priced sales arrangements has the character of a commodity derivative. Accordingly, 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. Dividends received from subsidiaries are recognised in profit or loss in the separate financial statements of the Company.

Financing expenses includes:

- Interest on short-term and long-term borrowings;
- Amortisation of discounts or premiums relating to borrowings;
- Amortisation of ancillary costs incurred in connection with the arrangement of 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.

(u) Interest-bearing loans and 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

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 plus transaction costs and subsequently amortised to profit and loss over the period of the borrowings, unless it is probable that the consolidated entity will reimburse the bank for an amount than the unamortised amount.

The fair value of financial guarantees is determined as the present value of the theoretical cash flows arising if each subsidiary were to source each guarantee on market as an arms length transaction.

Where guarantees in relation to loans of subsidiaries are provided for no consideration, 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 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 financial year not distributed at balance date.

(y) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of 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 included in the statement of cash flows inclusive of GST. The GST components of cash flows arising from investing and 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

Operating segments are components of the consolidated entity about which separate financial information is available that is evaluated regularly by the consolidated entity's operating decision maker in deciding how to allocate resources and in assessing performance.

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.

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 purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities and contingent liabilities assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

1 Summary of significant accounting policies (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the consolidated entity. They are measured at the minorities' share of fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the consolidated entity and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interests in the equity of that subsidiary.

(ab) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order in millions of dollars to one decimal place except where rounding to the nearest one thousand dollars is required.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

2 Critical accounting estimates and judgements (continued)

(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.

(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. \$104.2m of deferred tax assets are unbooked as at 31 December 2009, based on managements 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 as set out in the Director's Report. The consolidated entity's divisions 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, Tunisia, Sweden, Mexico, Laos, Thailand, Cambodia, Indonesia and China. 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 had been placed under care and maintenance by OZ Minerals Limited prior to its acquisition by the consolidated entity, and other head office entities.

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

3 Operating segments (continued)

(b) 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.

Asia

Comprises the operations associated with the Sepon Copper and Sepon Gold mines in Laos.

	Century Mine	Sepon Mines	Golden Grove Mines	Rosebery Mine	Other operations	Group
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
Other income	0.7	–	–	–	–	0.7
Net foreign exchange gain/(losses)	(3.2)	(2.1)	(4.8)	(1.8)	13.5	1.6
Costs of goods sold	(114.8)	(93.1)	(73.7)	(68.3)	–	(349.9)
Depreciation and amortisation	(97.9)	(22.2)	(20.7)	(16.0)	(1.5)	(158.3)
Freight expenses	(26.2)	(15.4)	(9.8)	(3.6)	(0.1)	(55.1)
Other expenses	(17.7)	(15.9)	(6.1)	(3.5)	(56.7)	(99.9)
Profit before net financing expenses and income tax	(11.6)	139.1	50.9	58.3	(44.8)	191.9
Financing income	–	–	–	–	1.1	1.1
Financing expenses	(9.0)	(2.4)	(5.9)	(0.4)	(5.5)	(23.2)
Net financing (expenses)	(9.0)	(2.4)	(5.9)	(0.4)	(4.4)	(22.1)
Profit before income tax	(20.6)	136.7	45.0	57.9	(49.2)	169.8
Income tax benefit						10.9
Profit for the period						180.7
Total assets	640.6	654.4	293.2	187.6	348.0	2,123.8
Total liabilities	447.8	259.0	212.7	24.5	628.1	1,572.1
Net assets	192.8	395.4	80.5	163.1	(280.1)	551.7
Additions to property, plant & equipment	104.0	22.7	16.0	14.4	29.8	186.9

Geographical areas	Australia	Asia	Group
Sales to external customers	565.0	287.8	852.8
Property, plant and equipment	1,020.1	473.6	1,493.7

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

4 Acquisition of business

(a) Minerals and Metals Group

The Minerals and Metals Group or MMG was formed on 16 June 2009, from Album 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
- Avebury 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 provisional values of assets, liabilities and contingent liabilities recognised on acquisition are their estimated 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.

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

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

4 Acquisition of business (continued)

(a) Minerals and Metals Group (continued)

	Acquirees carrying amount on 1-Jun-09 US\$m	Provisional fair value adjustments US\$m	Provisional 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

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009	Consolidated 2009 US\$m	Company 2009 US\$m
5 Revenue		
Sales revenue - external revenue	825.9	-
Sales revenue - related parties	26.9	-
Total revenue	852.8	-
6 Other income		
Other income	0.7	-
Total other income	0.7	-
7 Expenses		
Profit before income tax includes the following specific expenses:		
Changes in inventories of finished goods and work in progress	31.1	-
Raw materials and other direct costs	(10.1)	-
Employee benefit expenses	(106.9)	-
Contracting and consulting expenses	(27.2)	-
Royalties expense	(37.0)	-
Energy costs	(74.3)	-
Stores and consumables costs	(115.4)	-
Exploration and evaluation expenditure	(10.1)	-
Total cost of goods sold	(349.9)	-
Freight expenses	(55.1)	-
Depreciation and amortisation	(158.3)	-
Contributions to defined contribution plans	(5.9)	-
Operating lease expenses	(11.9)	-
Other expenses	(82.1)	-
Total other expenses	(99.9)	-
Total expenses	(663.2)	-
8 Net financing (expenses)		
Financing income		
Interest income from cash and cash equivalents	1.1	-
Interest income from subsidiaries	-	10.4
Total financing income	1.1	10.4
Financing expenses		
Interest and finance charges paid/payable	(15.5)	(10.8)
Unwind of discount on long-term provisions	(7.7)	-
Total financing expenses	(23.2)	(10.8)
Net financing (expenses)	(22.1)	(0.4)

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

9 Individually significant items

The individually significant items for the consolidated entity were as follows:

Consolidated entity	Pre-tax	Tax impact	Post tax
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 recognised in the income statement

	Consolidated 2009 US\$m	Company 2009 US\$m
Current income tax (expense)	(43.3)	–
Deferred income tax benefit	54.2	–
Income tax benefit	10.9	–

Deferred income tax benefit included in income tax benefit comprises:

Increase in deferred tax assets	48.4	–
Decrease in deferred tax liabilities	5.8	–
Total deferred income tax benefit	54.2	–

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

Total profit/(loss) before income tax	169.8	(0.4)
Income tax (expense)/benefit at the prima facie tax rate of 17 per cent	(28.9)	0.1
Tax effect of amounts which are not (deductible)/taxable in calculating taxable income:		
Non-taxable amounts	11.2	(0.1)
Difference in overseas tax rates	(25.6)	–
Previously unrecognised deferred tax assets	54.2	–
Income tax benefit	10.9	–

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

10 Income tax (continued)

(c) Deferred tax assets and liabilities

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

Consolidated

	Opening balance	Acquired through business combination	Recognised in profit or loss	Closing balance
Deferred tax assets				
Depreciation and amortisation	-	17.1	34.6	51.7
Tax losses	-	-	13.8	13.8
	-		48.4	65.5
Set-off of deferred tax liabilities	-	17.1	-	-
Net recognised deferred tax assets	-	17.1	48.4	65.5
Deferred tax liabilities				
Inventories	-	(5.8)	5.8	-
	-	(5.8)	5.8	-
Set-off against deferred tax assets	-	-	-	-
Net recognised deferred tax liabilities	-	(5.8)	5.8	-

The Company did not have any deferred tax assets or deferred tax liabilities at 31 December 2009.

(d) Movement in current income tax liabilities

	Consolidated 2009 US\$m	Company 2009 US\$m
At the beginning of the period	-	-
Acquisition through business combination	64.9	-
Income tax paid	(48.6)	-
Income tax expense	43.3	-
At the end of the period	59.6	-

(e) Unrecognised deferred tax assets

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

Deductible temporary differences	104.2	-
Total unrecognised deferred tax assets	104.2	-

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.

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009	Consolidated 2009 US\$m	Company 2009 US\$m
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11 Dividends

During the period, the Company did not pay or declare any dividends, however a subsidiary of the Company paid a dividend of \$2.0 million directly to its minority shareholder – refer Note 21.

12 Cash and cash equivalents

Cash at bank and on hand	107.3	-
Deposits at call	144.0	-
Total cash and cash equivalents	251.3	-

Refer Note 24 for details of cash and cash equivalents.

13 Trade and other receivables

Current

Trade receivables	88.5	-
Receivables from related parties	1.4	-
Other receivables	0.1	-
Total current trade and other receivables	90.0	-

Non-current

Receivables from subsidiaries	-	710.5
Total non-current trade and other receivables	-	710.5

Total trade and other receivables	90.0	710.5
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14 Inventories

Current

Stores and consumables	58.8	-
Less impairment	(14.0)	-
	44.8	
Finished goods	40.5	-
Work in progress	92.2	-
Total current inventories	177.5	-

Non-current

Stores and consumables	25.8	-
Less impairment	(2.3)	-
Total non-current inventories	23.5	-

Total inventories	201.0	-
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Total finished goods of \$40.5 million and work in progress ('WIP') of \$92.2 million are valued at cost, there was no finished goods or WIP valued at net realisable value at 31 December 2009.

During the period there were no inventory write-downs recognised by the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Consolidated
2009 US\$m

Company
2009 US\$m

15 Financial and other assets

Current

Prepayments	12.0	2.1
Available for-sale financial assets	0.8	-
Other assets	9.5	-
Total current financial and other assets	22.3	2.1

Non-current

Investment in subsidiaries (a)	-	337.0
Total non-current financial and other assets	-	337.0

(a) Movement in carrying value of investment in subsidiaries

Opening carrying amount	-	-
Additions	-	337.0
Closing carrying amount	-	337.0

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

15 Financial and other assets (continued)

Unquoted investments of the Company in subsidiaries comprise the following:

	Country of Incorporation	Class of Share	Equity holding 2009 %
Album Investment Private Limited	Singapore	Ordinary	100
Allegiance Exploration Pty Ltd	Australia	Ordinary	100
Allegiance Metals Pty Ltd	Australia	Ordinary	100
Allegiance Mining Operations Pty Ltd	Australia	Ordinary	100
Allegiance Mining Processing Pty Ltd	Australia	Ordinary	100
Allegiance Mining Pty Ltd	Australia	Ordinary	100
Aoning Minerals Company Limited	China	Ordinary	80
Champa Mining Laos Pte Ltd	Singapore	Ordinary	100
Eastren Pty Ltd	Australia	Ordinary	100
Geothermal Energy Tasmania Exploration Pty Ltd	Australia	Ordinary	100
Geothermal Energy Tasmania Holdings Pty Ltd	Australia	Ordinary	100
Geothermal Energy Tasmania Pty Ltd	Australia	Ordinary	100
Geothermal Energy Tasmania West Coast Pty Ltd	Australia	Ordinary	100
Investment Co Pty Ltd	Australia	Ordinary	100
Ionex Pty Ltd	Australia	Ordinary	100
Lane Xang Minerals Limited	Laos	Ordinary	90
Lupin Mines Inc.	Canada	Ordinary	100
MMG Australia Limited	Australia	Ordinary	100
MMG Canada Exploration Inc.	Canada	Ordinary	100
MMG Canada Management Inc.	Canada	Ordinary	100
MMG Canada Operations Inc.	Canada	Ordinary	100
MMG Century Limited	Australia	Ordinary	100
MMG Exploration Pty Ltd	Australia	Ordinary	100
MMG Exploration Singapore (Number One) Pt Ltd	Singapore	Ordinary	100
MMG Exploration Singapore (Number Two) Pte Ltd	Singapore	Ordinary	100
MMG Golden Grove Pty Ltd	Australia	Ordinary	100
MMG Insurance Singapore Pte Ltd	Singapore	Ordinary	100
MMG International Enterprises Pty Ltd	Australia	Ordinary	100
MMG Laos Holdings Limited	Cayman Islands	Ordinary	100
MMG Management Pty Ltd	Australia	Ordinary	100
MMG Netherlands Holdings Cooperative UA	Netherlands	Ordinary	100
MMG Projects Pty Ltd	Australia	Ordinary	100
MMG Resources Inc.	Canada	Ordinary	100
MMG Super Metals Pty Ltd	Australia	Ordinary	100
MMG Swedish Enterprises AB	Sweden	Ordinary	100
MMG USA Limited	USA	Ordinary	100
Navakun Mining Co. Ltd	Thailand	Ordinary	100
PCML SPC Pty Ltd	Australia	Ordinary	100
PPTV Pty Ltd	Australia	Ordinary	100
PT Bintang Sumberdaya (i)	Indonesia	Ordinary	-
PT Explorasi Indonusa Jaya (i)	Indonesia	Ordinary	-
PT Gunung Mulia Minerals (i)	Indonesia	Ordinary	-
PT Multi Mineral Explorasi (i)	Indonesia	Ordinary	-
PT Oxindo Exploration (i)	Indonesia	Ordinary	-
PT Panah Emas (i)	Indonesia	Ordinary	-
Southern Laos Mining Pte Ltd	Singapore	Ordinary	100
SPC (Nominees) Pty Ltd	Australia	Ordinary	100
SPC 1 Pty Ltd	Australia	Ordinary	100
SPC 2 Pty Ltd	Australia	Ordinary	100
Zeemain Pty Ltd	Australia	Ordinary	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.

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

16 Property, plant and equipment

Consolidated entity	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
Cost						
At the beginning of the period	-	-	-	-	-	-
Acquisitions through business combination	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

Total property, plant and equipment of the consolidated entity was nil at 31 December 2009.

17 Trade and other payables

	Consolidated 2009 US\$m	Company 2009 US\$m
Trade payables and accruals	140.2	-
Payables to subsidiaries	-	2.4
Other payables	3.5	0.6
Total trade and other payables	143.7	3.0

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Notes Consolidated
2009 US\$m Company
2009 US\$m

18 Interest-bearing liabilities

Current

Lease liabilities – secured	1.1	–
Total current interest-bearing liabilities	1.1	–

Non-current

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

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

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

(b) Finance lease liabilities

Commitments in relation to finance leases are payable as follows:		
Within one year	2.0	–
Later than one year but not later than five years	7.1	–
	9.1	–
Future finance charges	(3.1)	–
Recognised as a liability	6.0	–

The consolidated entity leases various plant and equipment with a carrying amount of \$6.0 million under finance leases expiring within five years.

The bank loans of the consolidated entity and Album Enterprises Limited are secured by guarantees from the ultimate holding company of Album Resources Private Limited, China Minmetals Non-Ferrous Metals Company Limited. Refer Note 24 for details of the consolidated entity's financing arrangements.

Interest bearing liabilities include an external borrowing of US\$200m 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Notes Consolidated
2009 US\$m Company
2009 US\$m

19 Provisions

Current

Employee benefits	23.4	–
Workers' compensation	1.4	–
Other provisions (b)	10.7	–
Total current provisions	35.5	–

Non-current

Employee benefits	5.7	–
Workers' compensation	4.4	–
Mine rehabilitation, restoration and dismantling (a)	221.3	–
Total non-current provisions	231.4	–

Aggregate

Employee benefits	29.1	–
Workers' compensation	5.8	–
Mine rehabilitation, restoration and dismantling (a)	221.3	–
Other provisions (b)	10.7	–
Total provisions	266.9	–

(a) Mine rehabilitation, restoration and dismantling

Opening carrying amount	–	–
Acquisition through business combination	169.6	–
Additional provisions recognised	48.3	–
Payments made	(5.0)	–
Unwind of discount	7.7	–
Exchange rate differences	0.7	–
Closing carrying amount	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. 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	–	–
Acquisition through business combination	5.9	–
Additional provisions recognised	6.9	–
Payments made	(2.1)	–
Closing carrying amount	10.7	–

Other provisions relate predominantly to provisions for 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Consolidated
2009 US\$m

Company
2009 US\$m

20 Issued capital

(a) Issued and fully paid up ordinary shares:

488,211,901	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	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 18, cash and cash equivalents as disclosed in Note 12 and equity as disclosed in Note 22. 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

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Album Resources Private Limited and its controlled entities for the period ended
31 December 2009

Notes Consolidated
2009 US\$m Company
2009 US\$m

21 Reserves, retained earnings and non-controlling interest

Reserves (a)	0.2	–
Retained earnings (b)	172.5	(0.4)
Non-controlling interest (c)	42.0	–
Total reserves, retained earnings and non-controlling interest	214.7	(0.4)

(a) Reserves

Movements in available-for-sale asset reserve:

Available-for-sale asset reserve at beginning of period	–	–
Change in fair value of available-for-sale assets, net of tax	0.2	–
Available-for-sale asset reserve at end of period	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 period	–	–
Net profit/(loss) after tax attributable to members of Album Resources Private Limited	172.5	(0.4)
Retained earnings at end of period	172.5	(0.4)

(c) Non-controlling interest

Movements in non-controlling interest:

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

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

22 Total equity

Total equity at the beginning of the financial period	–	–
Total changes in retained earnings – Note 21	172.5	(0.4)
Total changes in reserves – Note 21	0.2	–
Total changes in non-controlling interest – Note 21	42.0	–
Total changes in issued capital – Note 20	337.0	337.0
Total equity at end of period	551.7	336.6

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Consolidated
2009 US\$m

Company
2009 US\$m

23 Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

Profit/(loss) for the period	180.7	(0.4)
Depreciation and amortisation	158.3	–
Non-cash borrowing costs	7.7	–
Other non-cash items	(4.8)	(0.1)
(Gain)/loss on disposal of property, plant and equipment	1.8	–
Change in assets and liabilities:		
Trade and other receivables	(90.0)	–
Other assets	(3.6)	(2.0)
Inventories	(13.1)	–
Trade and other payables	118.7	3.0
Deferred tax assets	(48.4)	–
Current tax liabilities	(8.5)	–
Deferred tax liabilities	(5.8)	–
Net cash inflow from operating activities	293.0	0.5

24 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, foreign currency exchange risk and interest rate risk (refer Note 24(a) below);
- Credit risk (refer Note 24(b) below); and
- Liquidity risk (refer Note 24(c) 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 and the immediate holding Company of the Company, Album Enterprises Limited (HK) hold the following financial instruments at the reporting date:

Financial assets			
Cash and cash equivalents	12	251.3	–
Trade receivables	13	88.5	710.5
Available for-sale financial assets	15	0.8	–
		340.6	710.5
Financial liabilities			
Trade payables	17	140.2	3.0
Interest-bearing liabilities	18	1,101.9	710.0
		1,242.1	713.0

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Pte Ltd and its controlled entities for the period ended 31 December 2009

24 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, 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) 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 2009.

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. The impact for movements in commodity prices on the consolidated entity's equity would have been nil. The Company did not have any trade receivables at 31 December 2009 and as such the impact of movements in commodity prices on the Company's after tax (loss) and equity were nil.

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 were \$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 24(b).

Commodity	2009		
	Forecast 12 month commodity price movement	Increase profit US\$m	Decrease profit US\$m
Zinc	6%	1.5	(1.5)
Copper	1%	0.4	(0.4)
Gold	9%	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.

(ii) 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 revenues received by the consolidated entity are 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 the end 31 December 2009.

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:

NOTES TO THE FINANCIAL STATEMENTS

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Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

24 Financial risk management (continued)

(a) Market risk management (continued)

	Denominated in AUD	Denominated in Other
Consolidated		
Financial assets		
Cash and cash equivalents	124.9	2.0
Financial liabilities		
Trade payables	(118.2)	(0.4)
Total	6.7	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	Year-end spot rate
AUD:USD	0.8609	0.8937

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 9 per cent change in the foreign currency rate. This percentage change reflects the market consensus twelve month forecast foreign exchange rate movement.

At reporting date, cash and cash equivalents and trade payables denominated in currencies other than US dollars net to an insignificant amount of \$6.7 million and \$1.6 million for the consolidated entity and Company respectively. As such, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 9 per cent, and all other variables were held constant, the consolidated entity's after tax profit and equity and the Company's after tax (loss) and equity would have increased/(decreased) by less than \$1million respectively.

(iii) 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 2009, 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 TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

24 Financial risk management (continued)

(a) Market risk management (continued)

	Notes	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Consolidated							
Financial assets							
Cash at bank		107.3	–	–	–	–	107.3
Short-term deposits		144.0	–	–	–	–	144.0
	12	251.3	–	–	–	–	251.3
Financial liabilities							
Bank loans				–	(751.0)	(344.0)	(1,095.0)
Lease liabilities		–	(1.1)	(1.7)	(3.2)	–	(6.0)
Other loans		(0.4)	(0.5)	–	–	–	(0.9)
	18	(0.4)	(1.6)	(1.7)	(754.2)	(344.0)	(1,101.9)
Net interest-bearing financial assets and liabilities		250.9	(1.6)	(1.7)	(754.2)	(344.0)	(850.6)
Company							
Financial liabilities							
Bank loans	18	–	–	–	(366.0)	(344.0)	(710.0)
Net interest-bearing financial assets and liabilities		–	–	–	(366.0)	(344.0)	(710.0)

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:

	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	–

At reporting date, if the interest rate increased/(decreased) by 100 basis points, and all other variables were held constant, the Company's after tax (loss) would have increased/(decreased) by \$5.0 million and equity would have increased/(decreased) by nil.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

24 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:

		Consolidated 2009 US\$m	Company 2009 US\$m
Cash and cash equivalents	12	251.3	–
Trade receivables	13	88.5	–
Total		339.8	–

The credit risk on investments in cash, short-term deposits and similar assets are with approved counterparty banks. 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 \$0.4 million cash and cash equivalents not available for use as at 31 December 2009.

The consolidated entity's most significant customer, Nyrstar, accounts for \$19.6 million of the trade receivables carrying amount at 31 December 2009. The revenue earned from Nyrstar by the consolidated entity was approximately 22 per cent of consolidated revenue as at the reporting date.

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:

	Consolidated 2009 US\$m
Australia	27.9
Europe	25.7
Asia	28.6
USA	6.3
	88.5

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

	Consolidated 2009 US\$m
Zinc	37.1
Copper	39.9
Lead	1.5
Gold	10.0
	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

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

24 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 2009. The following are the contractual maturities of the consolidated entity's financial liabilities as at 31 December 2009. 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 2009.

	Notes	Balance Sheet carrying amount	Contractual principal and interest cash flows					Total
			6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	
Consolidated								
Bank loans	18	1,095.0	10.6	10.6	21.1	780.5	355.4	1,178.2
Lease liabilities	18	6.0	–	2.0	2.0	5.1	–	9.1
Other loans	18	0.9	0.4	0.5	–	–	–	0.9
Trade payables	17	140.2	140.2	–	–	–	–	140.2
		1,242.1	151.2	13.1	23.1	785.6	355.4	1,328.4
Company								
Bank loans	18	–	7.4	7.4	14.8	392.4	355.4	777.4
		–	7.4	7.4	14.8	392.4	355.4	777.4

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

	Notes	Consolidated US\$m 2009	Company US\$m 2009
Bank loan facilities – available		1,238.0	710.0
Bank loan facilities – unused		(143.0)	–
Bank loan facilities – used	18	1,095.0	710.0
Lease facilities – available		6.0	–
Lease facilities – unused		–	–
Lease facilities – used	18	6.0	–

(d) Fair values

The carrying amount of all financial assets and liabilities recognised on the balance sheet approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Consolidated
2009 US\$m

Company
2009 US\$m

25 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	43.3	–
Later than one year but not later than five years	13.0	–
Later than five years	0.9	–
Total capital and non-capital commitments	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	2.9	–
Later than one year but not later than five years	11.8	–
Later than five years	6.3	–
Total operating lease commitments	21.0	–

26 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 \$95.4 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 19).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

27 Related parties

(a) Holding companies

The immediate holding company of Album Resources Private Limited is Album Enterprises Limited. The ultimate holding company of Album Resources Private Limited is China Minmetals Non-Ferrous Metals Company Limited.

(b) Subsidiaries

The Company's interest in subsidiaries is set out in Note 15.

(c) Key management personnel remuneration

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

	Consolidated 2009 US\$
Short-term employee benefits	3,678,196
Other long-term benefits (ii)	358,465
Post-employment benefits	28,844
Total	4,065,505

- (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 year-end.
- (ii) Other long-term benefits does not include the Long Term Incentive Plan ("LTIP") payable to key management personnel for the period ended 31 December 2009 as the amount payable could not be reliably estimated at the reporting date. The performance conditions relevant to the 2009 financial period are expected to be assessed in 2010 and if the conditions are met an amount will be paid to key management personnel after the performance period ends on 30 June 2011. Amounts payable to key management personnel for the 2009 financial period will be included in key management personnel remuneration in future periods.

(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.

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

	Consolidated 2009 US\$m	Company 2009 US\$m
Loans to related parties		
Loans advanced to subsidiaries	13	710.5
Loans repaid from subsidiaries	17	2.4
Loans advanced to other related parties (i)	13	1.4
Interest		
Interest received on loans to subsidiaries	8	10.4
Interest paid on loans to subsidiaries	-	(10.8)
Sales of goods to related parties		
Sales of goods to subsidiaries (ii)	5	26.9

- (i) Loans advanced to other related parties relates to amounts payable by the ultimate 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 ultimate holding company China Minmetals Non-Ferrous Metals Company Limited.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Notes

Consolidated
2009 US\$'000

Company
2009 US\$'000

28 Remuneration of auditors

Audit services

Audit and review of financial reports and other audit work including audit of subsidiary financial statements:

PwC Australia	649	–
Overseas PwC firms	185	–
	834	–

Taxation services

Taxation compliance and advisory services	40	–
	40	–

Advisory services

Other advisory services	40	–
	40	–

Total services

	914	–
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29 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
- 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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

Notes Consolidated
2009 US\$m

29 Deed of cross guarantee (continued)

A condensed consolidated income statement 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) Condensed income statement and retained earnings

Profit before income tax and dividends received	43.1
Dividends received from subsidiaries outside the controlled group	18.0
Income tax expense/(benefit)	53.6
Profit for the period	114.7
Retained earnings at beginning of the period	–
Retained earnings at end of period attributable to members of Album Resources Private Limited	114.7

(b) Balance sheet

Current assets	
Cash and cash equivalents	164.3
Trade and other receivables	128.9
Inventories	137.4
Financial and other assets	20.1
Total current assets	450.7
Non-current assets	
Property, plant and equipment	1,052.5
Deferred tax assets	62.2
Financial and other assets	293.9
Total non-current assets	1,408.6
Total assets	1,859.3
Current liabilities	
Trade and other payables	120.3
Interest-bearing liabilities	1.1
Provisions	29.9
Total current liabilities	151.3
Non-current liabilities	
Interest-bearing liabilities	1,100.8
Provisions	155.3
Total non-current liabilities	1,256.1
Total liabilities	1,407.4
Net assets	451.9
Equity	
Issued capital	337.0
Reserves	0.2
Retained earnings	114.7
Total equity	451.9

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2009

Album Resources Private Limited and its subsidiaries for the period ended 31 December 2009

30 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.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 201(15) OF THE COMPANIES ACT, CHAPTER 50 OF SINGAPORE

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 53 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 2009 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 Michelmore
Director
18 March 2010



Jiao Jian
Director
18 March 2010

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

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 53, which comprise the balance sheets of the Company and of the Group as at 31 December 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap. 50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and 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;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

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 as to 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 control relevant to the entity's preparation and fair presentation of the financial statements 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 control. 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,

- (a) 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 2009, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) 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 auditor, have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants
Singapore, 18 March 2010