



# QUARTERLY REPORT

FOR THE FOUR MONTHS  
1 JUNE TO 30 SEPTEMBER 2009

MMG KEY PRODUCTION DATA	JUNE-SEPT 09	JUNE-SEPT 08
ORE MINED (TONNES)	3,497,928	3,086,468
ORE MILLED (TONNES)	3,544,733	3,936,697
TOTAL ZINC METAL* (TONNES)	178,481	240,422
TOTAL COPPER CATHODE*** (TONNES)	19,953	22,151
TOTAL COPPER METAL* (TONNES)	7,898	7,347
TOTAL LEAD METAL* (TONNES)	17,867	34,000
TOTAL GOLD METAL** (OUNCES)	51,634	53,900
TOTAL SILVER METAL** (OUNCES)	1,768,509	3,222,953

\* Contained metal in concentrate. \*\*Contained metal in doré and concentrate. \*\*\*Stripped copper cathode.

## BUSINESS REVIEW

Minerals and Metals Group (MMG) was formed in June 2009 from the sale of assets by OZ Minerals to China Minmetals Non-ferrous Metals Co., Ltd, a division of China Minmetals Corporation.

The transaction has created the opportunity for MMG to establish a leading minerals and metals business, headquartered in Melbourne, with mining operations in Australia and Laos and exploration and development projects in Australia, South-East Asia, China and North America.

MMG's Board committed, at the formation of the business, to a robust and transparent program of public reporting to keep its stakeholders informed of the business' performance and progress. This report marks the first of the quarterly reports MMG will produce and includes June 2009.

During the period MMG recorded strong mining performance with 3,497,928 tonnes of ore mined. This was up 13% from the same period last year mainly due to additional ore accessed at the Sepon copper and gold operations. Mill throughput, however was adversely impacted by the failure and subsequent repairs of the Semi Autogenous Grinding (SAG) Mill at Golden Grove, lower than anticipated available feed stocks at Century and lower tonnes milled at Rosebery resulting from the concentrator running at a lower feed rate.

Despite a number of unforeseen issues production was strong and in line with the strategy to maximise copper production while prices were higher. Zinc metal production was down 26% on the prior corresponding period and copper metal up 7%. MMG responded efficiently and effectively to individual unforeseen production issues.

Rising LME prices combined with production efficiencies identified earlier in the year resulted in all operating sites recording significantly positive operating cash flow.

The initial challenge for MMG has been to focus on the business fundamentals, manage the decoupling from OZ Minerals and deliver on the cost efficiencies identified earlier in the year. Now, the challenge lies in developing the substantial future potential of the business. Since June, a number of previously deferred growth programs have recommenced including:

- A US\$5.5 million, 18-month exploration program at Century on the mine and adjacent leases to identify new zinc deposits for the processing operations.
- Construction of an additional ventilation shaft to support access to the deeper reaches of the underground mine at Rosebery for US\$23 million.
- A US\$1.4 million deep exploration drilling program at Rosebery to target prospective areas below the lower parts of the Rosebery ore body commencing in November.
- Construction of a second power line into the Sepon operations in Laos for US\$12 million.
- Recommencement of near mine exploration around the Golden Grove Gossan Hill mine.
- Recommencement of exploration of the oxide gold and copper potential surrounding the Sepon mining operations in Laos.

Major projects previously put on hold will be reviewed in the near term including:

- The expansion of the copper processing capacity at Sepon from its current capacity of around 65,000 tonnes per annum to 80,000 tonnes per annum.
- A new tailings storage facility at Golden Grove.

The Board continues to keep a watching brief on the improving commodity prices, looking for some longer term stability to allow consideration of the following projects in 2010:

- Recommencement of operations at the Avebury nickel mine in Tasmania.
- Development of the Dugald River deposit in Queensland.
- Development of the Izok Lake deposit in Canada.

At the first Board meeting MMG Chairman Mr Zhou Zhongshu articulated the growth and returns that Minmetals expect from their investment - to grow the business into a major mid-tier resource business through an initial focus on internal growth and longer term focus on sustainably operating resources projects around the world.

Led by CEO Andrew Michelmore, the senior management team has developed a strategic plan to determine the long-term focus of the business. The result is a holistic strategic approach aimed at achieving sustainable operations that deliver above average returns.

MMG's mission is to maximise returns by discovering, acquiring, developing and sustainably operating resources projects around the world.

This mission will be supported by five strategic areas of focus – growth, operations, people, business excellence and reputation – and underpinned by the values of respect, integrity, action and results. Programs aligned with each strategic area will be initiated in the coming months.

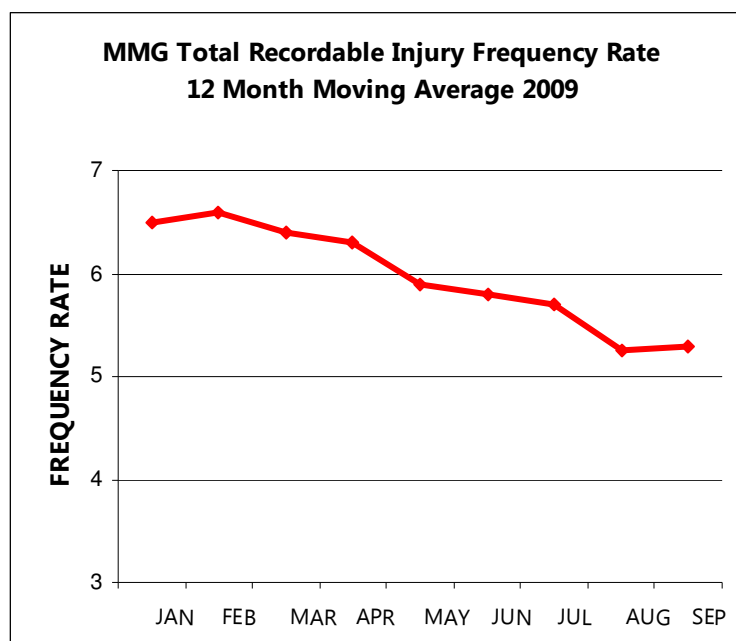
A key driver in the delivery of this strategy will be culture, which MMG believes is integral to long term, sustainable business performance. As such it has started rolling out a new leadership development program to drive this change through all levels of the business.

Progress reports on each of the strategic focus areas will be provided in future quarterly reports.

## SAFETY AND HEALTH

There has been a significant focus since formation on reinvigorating safety programs and rolling out one consistent safety strategy across the business which will become known as 'MMG Stop & Think'. The strategy, which will be rolled out in 2010, aims for a step-change in safety performance and safety leadership. MMG has engaged DuPont, one of the world's leading advisers on safety systems and processes, which recently undertook reviews at each of the MMG operations to help roll the strategy out across all sites and projects.

While MMG experienced 31 recordable injuries (total recordable injuries) from June to September 2009, improvement was seen through the period in MMG's total recordable injury frequency rate. This rate measures the number of total recordable injuries over a rolling 12-month period, per million man hours worked, and has steadily decreased over the year as demonstrated below.



## ENVIRONMENT

MMG has a strong commitment to environment and is proud of the ISO 14001 certification that the Sepon operations achieved in 2008 and the certification retained by Golden Grove and Rosebery in 2009. An Environmental Performance Improvement Plan has been developed as part of the MMG business strategy with the aim of having the environment management systems of all MMG sites ISO 14001 certified in the future.

MMG aims to have zero significant environmental incidents, however during the reporting period experienced nine to which investigation and remedial actions have commenced or are planned to address each incident.

Three incidents were recorded as mine water discharge issues at Golden Grove in which there were two incidents of elevated cadmium levels that resulted in an exceedance of licence conditions. One other was an incident of an increased pH level. A permanent solution to manage mine water discharge at Golden Grove has been approved with initial engineering works currently underway.

Three incidents were recorded at Century of which one was a failure of the liner in the Process Water Dam. Initial repairs were made to the liner and further work will be undertaken in the coming months. The other two were small spills (around 3-5 and 10-15kgs) of zinc concentrate in the Norman River at the Karumba port facility while loading the interim transfer vessel, *MV Aburri*.

There were two incidents at Sepon. In one incident, fish died in the on-site Khanong/Padan pit catchment following a period of heavy rainfall. In the other there was a discharge of high pH water within the containment area when the weld on a water line failed. At Rosebery the effluent treatment plant containment cells overtopped, discharging tailings slurry into Rosebery Creek following a heavy rainfall event.

Following the end of the reporting period two major issues were experienced at Century. On 5 October a failure was detected in the pipeline used to transport concentrate slurry from its mine operations at Lawn Hill to the Karumba port facility. This resulted in an uncontrolled discharge of zinc slurry. A significant amount of contaminated soil has been removed from the area and transported back to the mine and a full clean-up and remediation plan is being developed in consultation with the Queensland Department of Environment and Resource Management and the pastoralists on whose property the incident occurred. Following consultation this clean up plan may include backfilling excavated areas with clean material, revegetation, weed management and ongoing environmental impact monitoring of the area.

The pipe is currently undergoing repair work and a bypass will be installed in the coming weeks. The bypass will allow the section around the repair area to be taken off line and further testing in the region of the repairs to be undertaken. MMG is not anticipating it will be able to restart processing plant operations and the production of concentrate until the bypass is installed.

The second issue was a failure of the reclaimer in the storage shed at the Karumba port facility which resulted in an inability to load the transfer vessel for six days. This in turn created increased levels of sulphur dioxide emissions inside the storage shed. Some low level fluctuations in emissions were recorded outside the storage shed and a program of community monitoring and communication enacted. When loading recommenced, emissions decreased within a few days. An ongoing community monitoring plan is now in place.

Management and site personnel responded efficiently to these issues and are currently working with local stakeholders to resolve them.

## COMMODITY PRICES, MARKETING AND SALES

Base metal prices strengthened through the June-September period reflecting an increasing confidence in the global economic recovery. Zinc traded at the strongest levels in nine months reaching US\$2,000 per tonne by early October. Lead and nickel traded strongly too with all prices ending the period above their year to date averages. In early August the cash copper price broke through US\$6,000 per tonne, a level last seen in October 2008.

The lead price in particular rose dramatically early in September following shutdowns of some Chinese lead smelting capacity due to environmental issues. Notwithstanding the price trends, LME stocks for all metals also increased during the period.

MMG expects strong demand from China to continue with domestic Chinese development and construction continuing to drive demand.

Stronger metal prices have made a significant positive impact on profit for the period.

Early in the period, higher sales volumes were achieved due to additional stripping at Sepon resulting in higher than budgeted production for gold and copper and Century zinc concentrate sales were higher than planned due to shipment timing factors. Sales were adversely impacted later in the period by the SAG Mill trunnion failure at Golden Grove in July, a delayed shipment of Century concentrate and smaller loading capacity of the *MV Aburri* used during the *MV Wunma* dry docking as further detailed below.

## OPERATIONS

### CENTURY

At Century, zinc in concentrate production for the period was 158,603 tonnes, down 9% on the same period last year. This reduction was in part the result of a change in the mine plan initiated earlier in the year to access the ore body more efficiently and reduce the unit costs of production. Some production through the period was adversely impacted by lower than planned throughout rates and recovery in the concentrator in June and low ROM stocks for the remainder of the period resulting in lower than planned metal unit feed rates.

The *MV Wunma*, the transfer vessel that moves concentrate from the Karumba port facility to export ships in the Gulf, successfully journeyed to Singapore during the period for its five yearly dry docking. During the month-long service the vessel was repainted and maintenance was undertaken on its structure, conveyors and gantries. Engineering tests were also undertaken on its propellers, shafts, bearings and rudders.

In preparation for the *MV Wunma* dry docking, lead production was scaled back and stored at the mine site to ensure maximum storage capacity for zinc concentrate at the Karumba port facility shed. As a result lead production for the period was only 6,842 tonnes.

Remediation work on a previously identified fault in the North Wall of the pit to ensure its stability continued well, although it had some impact on ore supply through the period whilst the stacked benches directly below it are progressively mined out.

Waste haulage was primarily within the pit, continuing to deliver cost efficiencies with lower fuel use and truck wear and tear minimised. Some waste was redirected to the South Waste Dump during August and September to complete rehabilitation in the area.

The focus on cost containment continues with costs driven down by lower reagent usage due to lower mill throughput combined with the deferral of maintenance activities.

<b>CENTURY QUARTERLY PRODUCTION STATISTICS</b>			
<b>CONTAINED METAL</b>	<b>JUNE – SEP 2009</b>	<b>JUNE - SEP 2008</b>	<b>FULL YEAR 2008</b>
<b>ZINC (TONNES)</b>	158,603	174,238	513,571
<b>LEAD (TONNES)</b>	6,842	21,321	56,387
<b>SILVER (OUNCES)</b>	430,130	1,187,096	4,178,964

### GOLDEN GROVE

At Golden Grove copper in concentrate production was up 3% on the corresponding period last year at 6,942 tonnes and zinc in concentrate down 45% to 19,848. Silver by-products from zinc concentrate were also down as a result.

These results reflected the previously announced closure of the Scuddles mine in January 2009 and a change of focus to maximise copper production while copper prices were strong. Good copper recovery and concentrate grade continue to deliver results which exceeded the comparative period last year. Costs for the period were lower than expected due to favourable price and volume variances for copper, zinc and by-products and continued cost containment.

A failure of the discharge trunnion bearing in June of the SAG Mill impacted production for the period with the mill off line for four weeks. During this time ore was successfully stockpiled and a limited amount fed through a tertiary system to create feed for the ball mill and maintain some concentrate production.

<b>GOLDEN GROVE QUARTERLY PRODUCTION STATISTICS</b>			
<b>CONTAINED METAL</b>	<b>JUNE - SEP 2009</b>	<b>JUNE - SEP 2008</b>	<b>FULL YEAR 2008</b>
<b>ZINC (TONNES)</b>	19,848	36,306	139,900
<b>COPPER (TONNES)</b>	6,942	6,726	18,467
<b>LEAD (TONNES)</b>	1,437	3,281	13,330
<b>GOLD (OUNCES)</b>	9,709	14,149	47,755
<b>SILVER (OUNCES)</b>	392,699	983,744	3,157,837

## **ROSEBERY**

Rosebery had a strong performance during the period with zinc and lead in concentrate production up due to higher ore milled tonnes and better than planned head grades. This saw zinc production up 8% to 32,266 tonnes and lead production up 2% to 9,588 tonnes compared to the same period last year.

Work recommenced in July on the raise bore drilling program, previously deferred in November 2008, to create an additional ventilation shaft to deliver fresh air to the deepest reaches of the mine. The completion of this program will see a hole drilled nearly 4.5 metres in diameter and 1,300 metres deep to create the additional ventilation shaft. The planned mill shutdown was also successfully completed to schedule.

The improved LME prices for zinc and lead through the period, resulted in positive revaluations on open sales. Costs were lower due to timing on maintenance spend and continued lower operating costs.

<b>ROSEBERY QUARTERLY PRODUCTION STATISTICS</b>			
<b>CONTAINED METAL</b>	<b>JUNE - SEP 2009</b>	<b>JUNE - SEP 2008</b>	<b>FULL YEAR 2008</b>
<b>ZINC (TONNES)</b>	32,266	29,878	84,939
<b>LEAD (TONNES)</b>	9,588	9,398	28,674
<b>COPPER (TONNES)</b>	956	621	2,062
<b>GOLD (OUNCES)</b>	10,151	10,767	30,675
<b>SILVER (OUNCES)</b>	932,407	1,036,549	2,984,502

## **SEPON COPPER**

At Sepon, where copper is produced in stripped cathodes, production was down 10% on the corresponding period last year at 19,953 tonnes of stripped cathode.

While cathode production was strong for the majority of the period due to higher head grades and increased leach feed tonnes, there was an unplanned 12-day shutdown in September caused by a failure of a heat exchanger in the oxygen plant during a power outage. Subsequently repairs have been undertaken and the plant is now fully operational.

As copper sales were dominated by deliveries to South-East Asian customers, lower freight to market costs were obtained as road transport was utilised rather than sea transport. Despite this, total copper sales volumes during the period were impacted by the shutdown.

<b>SEPON COPPER QUARTERLY PRODUCTION STATISTICS</b>			
<b>CATHODES</b>	<b>JUNE - SEP 2009</b>	<b>JUNE - SEP 2008</b>	<b>FULL YEAR 2008</b>
<b>COPPER (STRIPPED TONNES)</b>	19,953	22,151	64,075

In August, the MMG Board approved the US\$12 million spend for construction of a second 115kv power link from Thakek to the Sepon mine site to address the risk associated with the dependency upon mains power via the single 170 kilometre transmission line.

## SEPON GOLD

Gold production at Sepon was up 9% on the corresponding period last year at 31,774 ounces. Gold is produced in doré bars at Sepon and transported by air to a refinery in Australia.

The Houay Yeng pit was mined during August and September with good average grades though production was impacted late in the period by poor ore blend availability.

Gold sales were in line with expectations.

<b>SEPON GOLD QUARTERLY PRODUCTION STATISTICS</b>			
<b>POURED GOLD</b>	<b>JUNE - SEP 2009</b>	<b>JUNE - SEP 2008</b>	<b>FULL YEAR 2008</b>
<b>GOLD (OUNCES)</b>	31,774	28,984	93,072
<b>SILVER (OUNCES)</b>	13,273	15,564	55,942

The MMG Board and senior management team visited Sepon and Vientiane in August to strengthen the ties that the project provides between Australia, China and Laos. Mr Zhou Zhongshu, MMG Chairman and President of China Minmetals Corporation and MMG CEO Andrew Michelmore met with Lao government representatives including Prime Minister Bouasone to reaffirm the commitment that MMG and Minmetals has to Laos. The Sepon operations accounted for almost 50% of national exports in 2007 and contributes about a fifth of government revenue before including returns from the 10% ownership that the Lao PDR has in the project.

## DEVELOPMENT PROJECTS

### SEPON COPPER EXPANSION

Planning work for the expansion of the Sepon copper processing plant recommenced in July. The expansion project aims to increase the capacity of the plant from around 65,000 tonnes of copper cathode per annum to 80,000 tonnes.

Plans for the expansion project have been revised and will be reviewed in the coming months.

### DUGALD RIVER

The feasibility study completed in late 2008 for Dugald River confirmed the project's capacity to develop a mine producing 200,000 tonnes per annum of zinc metal, 25,000 tonnes per annum of lead metal and 1 million ounces per annum of silver with a mine life of 20 years. Geological interpretations are ongoing and the project will be reviewed by the Board next year.

### IZOK LAKE

A concept study for mining the Izok deposit as well as optimising the logistics and infrastructure was undertaken in the period. A pre-feasibility study of the concept is under consideration for 2010.

## EXPLORATION PROJECTS

### NEAR MINE EXPLORATION

#### Century

A US\$5.5 million, 18-month diamond drilling program commenced in September to test several geological targets on the Century mine lease and will extend to the surrounding exploration leases in the coming months. The program aims to identify new zinc deposits for future feed sources for the Century processing operations. Three holes were completed on the Zinc Hills target and soil sampling programs were completed on other prospects.

This program demonstrates MMG's commitment to exhaustively explore all leases near the mine to identify additional ore sources that could continue utilisation of the site's infrastructure beyond the current life of mine.

### **Golden Grove**

Near mine exploration will recommence at Golden Grove in October around the Gossan Hill area.

### **Rosebery**

A US\$1.3 million deep exploration drilling program will commence in November with two deep surface drill holes to target prospective areas below the lower parts of the Rosebery ore body. Significant additional resources have been discovered at Rosebery over the last three years with the mine life now extending into the next decade. This program will continue to support the conversion of resources to reserves.

A step out drill program will recommence at the Jupiter prospect, approximately 7 kilometres south of the Rosebery mine in November with four holes for 2,000 metres planned.

### **Sepon Copper**

Resource drill planning was completed in the period for Thengkham South pits A and D to increase resource confidence in oxide copper resources.

Exploration activity included the continuation of vein mapping at Thengkam extending to the Katia and Ban Mai prospects in a northwest direction.

### **Sepon Gold**

Several near mine oxide gold targets have been identified, the most significant of these at Hanong where an oxide gold zone, with approximately 0.5% copper, exists on the northernmost margins of the final pit design. Previous drilling has intersected 11 metres at 7.2 grams per tonne gold and 34 metres at 2.4 grams per tonne gold. This zone is estimated to contain 30,000 to 40,000 ounces gold and 25 metres by 25 metres drilling is planned to identify possible extensions to mineralisation.

Following a review of priority oxide gold targets, drilling commenced at the Phavat oxide gold target with success and moved to resource development drilling at the Phavat North oxide gold deposit by the end of September. Better intersections include 6 metres at 1.2 grams per tonne gold and 8 metres at 3.3 grams per tonne gold from the surface.

Encouraging intersections that require follow up drilling were returned from Thengkam Southwest including 2 metres at 2.8 grams per tonne gold, 0.3% copper from 15 metres; and 9 metres at 1.4 grams per tonne gold, 0.3% copper from 20 metres.

### **Avebury**

Compilation of historical drill hole data highlighted the Burbank prospect, approximately 5 kilometres southwest of Avebury, and further work is scheduled for October. Several historical drill holes reported encouraging intersections in nickel oxides with up to 1% nickel that will be further examined.

Drilling at the Denali prospect, approximately 5 kilometres west of Avebury, is scheduled to commence in October and will follow up on a previous intersection of three metres at 0.8% nickel.

## **GREENFIELD EXPLORATION**

### **China**

A review of nickel-copper projects in northern and north-western China was completed and excellent results were returned from three projects now being reviewed for joint ventures (two in Inner Mongolia province and one in Qinghai province).



## Indonesia

An IUP (new Indonesian Mining Law exploration tenement) was granted for the Sulawesi prospect. This is a significant and positive development, meaning MMG can immediately commence all exploration activities including drilling under a secure seven year title. Conversion of the Toluludu, Biyonga and Tahele leases to IUPs is in progress and surface exploration continued on all three leases.

A 5,000+ metre resource definition drilling program commenced in July at the Wia Wia nickel laterite prospect with better intersections including 15 metres at 1.8% nickel from 9 metres, 11 metres at 1.5% nickel from 3 metres, 25 metres at 1.6% nickel from eight metres and 20 metres at 1.5% nickel from 1 metre.

## Canada

A 1,600 metre drill program was undertaken this field season on the Canoe Lake tenement, 30 kilometres south of the High Lake deposits, with three hole intersection zones of massive to semi-massive pyrite-pyrrhotite with minor chalcopyrite and minor zones of sphalerite mineralisation.

A lake sediment and lake water survey was completed over the Gondor block east of Izok Lake with results pending. A till sampling program, examining VMA indicator minerals, was completed by the Geological Survey of Canada on the Izok Lake area.

## Australia

In the Cobar Basin drilling at the Wagga Tank copper-zinc prospect is scheduled to commence in mid-October with geophysical data confirming the validity of exploration targets. Airborne EM surveys are also scheduled to commence in mid-October over 700 line kilometres covering Wagga Tank and neighbouring tenements.

## Laos

Regional exploration in Laos was reactivated with work including reviews of previous OZ Minerals tenement applications and ongoing compilation of data. Target deposit styles include sediment-hosted copper and porphyry copper-gold.

## CORPORATE DETAILS

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### EXECUTIVE COMMITTEE

- Andrew Michelmore, Chief Executive Officer
- Mark Liu, Executive Director
- David Lamont, Chief Financial Officer
- Brett Fletcher, Chief Operating Officer
- Steve Ryan, Executive General Manager Exploration
- Tim Scully, Executive General Manager Business Support

### STATEMENT OF COMPETENT PERSONS

Within this statement references to Resources and exploration results have been approved for release by Mr S Ryan BSC (Hons), FAUSIMM who is a competent person as defined by the JORC Code (2004). He has consented to the inclusion of the material in the form and context in which it appears.