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MMG LIMITED
五礦資源有限公司

(Incorporated in Hong Kong with limited liability)
(STOCK CODE: 1208)

ANNOUNCEMENT DUGALD RIVER PROJECT - UPDATE

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the "**Board**") of MMG Limited (the "**Company**" or "**MMG**") is pleased to announce that the Board has endorsed the development and construction of the Dugald River zinc, lead and silver mine located in north-west Queensland, Australia ("**Dugald River Project**") subject to the finalisation of financing arrangements. The Board approved further expenditure toward the development of the Dugald River Project until the finalisation of financing arrangements which is expected to be completed in early 2013.

A final investment decision by the Board on the Dugald River Project requires MMG to enter into financing arrangements on satisfactory terms and conditions to provide the required funding for the Dugald River Project which is expected to be completed in early 2013.

Dugald River Project

The Dugald River Project is an undeveloped zinc-lead-silver deposit located in north-west Queensland, approximately 235km south-east of MMG's Century zinc-lead-silver mine in Queensland, Australia. The Dugald River Project is considered to be one of the world's known largest, high grade undeveloped zinc-lead-silver deposits. The project will develop an underground mine accessed by two declines (North and South), with an expected long mine life in excess of 20 years with the ore body still open at depth.

The Dugald River Project is expected to process an average 2.0 million tonnes of ore per annum to initially produce 200,000 to 220,000 tonnes of zinc in concentrate, 27,000 to 30,000 tonnes of lead in concentrate and 0.9 million ounces of silver in concentrate per annum.

When in operation, zinc and lead concentrate will be produced and transported by road to Cloncurry. A rail load-out facility at Cloncurry will be constructed where concentrate will be transported via train to Townsville where it will be shipped or sold to local smelters.

The project is expected to be commissioned in the second half of 2015 with the first concentrate shipment from the Dugald River Project being expected to take place in late 2015.

The Dugald River project will create long term shareholder value by delivering high grade zinc concentrate to a market with anticipated growing demand in zinc. It is anticipated that zinc production from Dugald River will contribute to meeting the expected increase in demand resulting from the continuing industrialisation of the developing world, in a commodity where mine closures and contractions are expected in the near term.

Dugald River Project – Capital Expenditure

Expenditure to date totals A\$293 million with approximately A\$1,195 million (US\$1,195 million) additional funding required, excluding working capital, to take the project to first shipment of concentrate. The total capital cost of the project is expected to be approximately A\$1,488 million. The US dollar calculation is based on a forecast weighted average of the annual AUD:USD exchange rate over the remaining expenditure equal to 1.00.

Major Contractual Commitments

The Board has endorsed the Company or its subsidiaries to enter into certain major contracts including gas supply, power generation and rail haulage contracts to progress the Dugald River Project. Some of these contracts have take or pay commitments or early termination fees.

By order of the Board
MMG Limited
Andrew Gordon Michelmore
CEO and Executive Director

Hong Kong, 17 December 2012

As at the date of this announcement, the Board comprises nine directors, of which two are executive directors, namely Mr. Andrew Gordon Michelmore and Mr. David Mark Lamont, four are non-executive directors, namely Mr. Wang Lixin (Chairman), Mr. Jiao Jian, Mr. Xu Jiqing and Mr. Gao Xiaoyu; and three are independent non-executive directors, namely Dr. Peter William Cassidy, Mr. Anthony Charles Larkin and Mr. Leung Cheuk Yan.

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